

City Park Centennial: 1906-2006

***CITY OF IOWA CITY, IOWA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

For the Fiscal Year Ended June 30, 2006

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY:

DEPARTMENT OF FINANCE
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY, IOWA

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November 28, 2006

To the Citizens, Honorable Mayor, Members
of the City Council and City Manager
City of Iowa City, Iowa

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2006 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

This report consists of management's representation concerning the finances of the City of Iowa City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR reflects all funds of the City in accordance with standards set by the Governmental Accounting Standards Board (GASB). In 1999, GASB adopted Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. The final effective date for the implementation of GASB No. 34 for the City of Iowa City was June 30, 2003. This report complies with those standards. This statement significantly changes governmental financial reporting in order to bring it closer to a private sector model.

To facilitate an understanding of the City's financial affairs, this report is organized into four sections: introductory, financial, statistical, and compliance. The introductory section contains the table of contents, listing of City officials, an organizational chart and this letter of transmittal. The financial section contains the independent auditors' report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information. The statistical section contains comprehensive statistical data that is intended to provide a broader and more complete understanding of the financial and economic trends of the City. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*. Information related to this

single audit, including the schedules of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal accounting and administrative controls and compliance with applicable laws and regulations are included in the compliance section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The City of Iowa City's financial statements have been audited by Eide Bailly, LLP of Dubuque, Iowa, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2006, are fairly presented in conformity with GAAP.

Profile of the Government

The City of Iowa City was incorporated April 6, 1853. The City is governed by a seven member Council; each member serves a four-year term. Elections are held every two years allowing for continuation in office of at least three members at each biennial election. The Council members are elected at large, but three members are nominated from specific districts, and the four other members are nominated at large. The Council elects the Mayor from its own members for a two-year term.

The City Council is the legislative body and makes all policy determinations for the City through the enactment of ordinances and resolutions. It also adopts a budget to determine how the City will obtain and spend its funds. The Council appoints members of boards, commissions and committees.

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. He supervises 537 full-time and 88 permanent part-time municipal employees and 492 temporary employees including a police force of 70 sworn personnel and a fire department of 55 firefighters. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. Since 1971, the City has operated a transit system.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in October. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review in

December. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., Police).

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Encumbrances outstanding at year-end for the governmental fund types are reflected as reservations of the fund balances. Appropriations that are not encumbered lapse at the end of the year.

Information useful in assessing the government's economic condition

The City's economic strength is based upon education, medical services, and diversified manufacturing. The University of Iowa is the City's largest employer with over 23,900 employees and the University of Iowa Hospitals and Clinics is the largest university-owned teaching medical center in the United States. The City also has a significant number of private employers who have a history of providing stable and increasing employment in the community. The relative stability of the University of Iowa, coupled with the City's multi-sector base of industrial and commercial interests, will continue to help insulate the City from the significant negative economic impacts related to unemployment.

The City continues to see sustained production in our major local industries, such as ACT, Proctor & Gamble, and Pearson. Continued economic development efforts involving the Iowa City and Coralville Chambers of Commerce, local private interests, the University of Iowa and other surrounding communities through participation as members of the Iowa City Area Development Group, have proved positive with the retention and expansion of businesses. In addition, the corridor between Iowa City and Cedar Rapids has been identified as one of the major growth areas for new business development in the State of Iowa. Continued developments within Iowa City and the region have a favorable impact upon the City's economy.

There have been improvements in the budget challenges faced by the State of Iowa, however, the City's economy as a whole continues to grow. The major employers have been able to maintain their workforce size. The unemployment rate for Johnson County continues to remain low at between 2.3% and 2.9%. The City has consistently experienced modest increases in assessed property valuations. New housing construction continues to be relatively strong with 160 new single-family houses and 203 multi-family units added to the tax rolls for the year ended December 31, 2005. This, along with the low unemployment rate, continues to be indicative of the City's economic well being.

The 2000 census population of Iowa City was 62,220. After further review by the United Census Bureau, the population was revised to 62,380 in 2002. This represents a 4.42% increase over the 1990 population of 59,738.

In preparing the financial plan for the three years ending June 30, 2009, the process of budget balancing has again been most difficult. With the continued tax limitations imposed by the state (specifically the residential rollback factor) and other federal and state regulations and mandates,

the municipal service needs for our growing community are becoming increasingly difficult to satisfy.

In balancing the budget for the three-year period, the City attempted to maintain service levels, wherever practical. In addition, our planning has been directed at maintaining our current fiscal strength and avoiding any erosion of that fiscal position, including the City's Aaa bond rating.

A continuing major objective in the three-year financial plan is to maintain or increase the City's cash reserve position. In addition, procedures were adopted to allocate unreserved fund balances between the contingency and undesignated fund balances. The contingency fund is available during the fiscal year for unanticipated and unbudgeted expenditures, while the undesignated fund balance is intended to be maintained as working capital. The City is committed to drawing from the undesignated fund balance only in emergency situations. This unreserved fund balance allocation along with specific budgeting techniques has allowed the City to increase or maintain fund balances over the past year.

The City continues to pursue cooperative efforts with other local governments. Joint funding, purchasing, planning and other efforts allow the City to meet mandates for new and improved services in the future at the most reasonable cost. Joint cooperation currently encompasses regional transportation planning, human services, solid waste management planning, a hazardous materials response program, an enhanced 911 emergency communications system, community relations, joint operation of an animal control facility, joint operation of an indoor swimming pool facility, and joint economic development efforts. While such cooperative efforts are not new in concept, the City expects to enter into more agreements with neighboring governmental subdivisions, as well as with the University of Iowa.

There are many signs that the City remains healthy and vibrant with great promise for the future. The University of Iowa continues to add new buildings and facilities. The City continues to see sustained production in major local industries. Industrial and commercial interests within the community have continued to thrive.

The City will be challenged during the next couple of years to maintain its vitality through greater economic development efforts, fiscal restraint in local government, and continued cooperation among local government officials. We are confident that the City is positioning itself to better meet the needs of the community in the future through more effective long-term financial planning, and increased financial strength and stability of the City. The City Council and its staff are committed to managing the City's destiny well into the future.

Major Initiatives

The City continues to be proactive in maintaining and building its streets, bridges, storm water mains, and trail systems and spent approximately \$10.7 million in fiscal year 2006 on various projects. The major projects were the widening of US Highway 6 from Lakeside Drive to the eastern city limits, including traffic controls; construction of Camp Cardinal Boulevard, an arterial street connecting western Iowa City to Coralville; widening State Highway 1(North Dodge Street) to Interstate 80; and renovation of the Iowa River Dam and Pedestrian Bridge.

Construction continued on Phase 1 of the Mormon Trek Boulevard Extension, a three phase project to construct a southern arterial linking western and eastern sides of the City. Phase 1 began in FY02 with design costs, continued with land acquisition in FY03 and construction work concluding in FY06. Cost of Phase 1 was \$3.7 million. Phase 2 of the Mormon Trek Boulevard Extension is

construction of a box culvert and the closing of an airport runway. Estimated cost of Phase 2 will be \$3.6 million. Phase 3 will be the construction of McCollister Road and a bridge spanning the Iowa River. Estimated costs of Phase 3 are \$7 million. When all phases are completed, the roadway will serve a combination of through and local traffic needs. Estimated costs for the entire project total \$14.3 million with \$6 million in federal funding.

The Iowa City Housing Authority provides rental assistance for 1100 units, with an annual contribution contract with the Federal Government of \$6.4 million. Community Development Block Grant and HOME Community Development Block Grant and Home Investment Partnership funds totaling approximately \$2.039 million were utilized for economic development, housing, public services and facilities, and planning activities during fiscal year 2006. The CDBG and HOME funds also leveraged approximately \$1.7 million in other funds. These programs provide for broad based financial impacts locally for builders, developers, and others.

Financial Information

Single Audit: As a recipient of federal financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal accounting and administrative controls are subject to periodic evaluation by the City's management.

The results of the City's single audit for the fiscal year ended June 30, 2006 provided no instances of material weaknesses in the internal controls or significant violations of applicable laws and regulations based upon the audit of the basic financial statements.

Retirement Plans: With the exception of police and fire employees, substantially all permanent City employees are covered by the Iowa Public Employees Retirement System (IPERS). The state annually sets the contribution rate for all municipal entities and covered employees. All covered employees are required to contribute 3.7% of their salary, while employers contribute 5.75%. There is no allocation or measurement of unfunded liability to any municipal entity and, upon the retirement of employees, IPERS has the sole responsibility for their benefits. The City has no responsibility to pay employee pension benefits of IPERS besides the required contribution.

The City's police and fire employees are covered by the Municipal Fire and Police Retirement System of Iowa (MFPRSI). This statewide system is a cost-sharing multiple-employer public employee retirement system. The state annually sets the contribution rate for all municipal entities and employees. The City has no responsibility to pay employee pension benefits of MFPRSI besides the required contribution.

Cash Management: The majority of the City's investment activity is carried on by the City's investment pool, except for those funds which are required to maintain their investments separately. This pooled concept provides for greater investment earnings that are then allocated to the City's funds on a systematic basis.

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates of less than one year, depending on the anticipated cash requirements during the period.

The overall strategy of holding deposits and making investments is to expose the City to a minimum amount of credit risk and market risk. All bank balances of deposits as of the balance sheet date are

entirely insured or collateralized with securities held by the State of Iowa Sinking Fund.

For the year ended June 30, 2006, the City earned \$5,253,000 from all investments, an increase of \$1,906,000 from the prior year. The following table shows how this was allocated by fund type for the fiscal years 2006 and 2005:

| <u>Fund Type</u> | <u>2006</u> <u>Investment</u> <u>Earnings</u> (in thousands) | <u>2005</u> <u>Investment</u> <u>Earnings</u> (in thousands) |
|------------------|---|---|
| Governmental | \$ 2,678 | \$ 1,576 |
| Proprietary | <u>2,575</u> | <u>1,771</u> |
| Totals | <u>\$ 5,253</u> | <u>\$ 3,347</u> |

Risk Management: The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis. The City completed its sixteenth year under a property and liability insurance program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$19,000,000 annual aggregate of the losses paid. The operating funds pay annual premiums to the Loss Reserve Fund, which is accounted for as an internal service fund. The balance in the Loss Reserve Fund is available to cover the self-insured retention amounts and any uninsured losses. The total assets in the Loss Reserve Fund as of June 30, 2006 were \$5,150,000.

Independent Audit: Chapter 11 of the Code of Iowa requires an annual audit to be performed. The independent public accounting firm of Eide Bailly LLP was selected by the City. In addition to meeting the requirements set forth in Chapter 11, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the compliance section of this report.

The financial statements are the responsibility of the City. The responsibility of the certified public accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30,

2005. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

In order to be awarded the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate is valid for a period of one year only. The City has received the Certificate for the last twenty-one consecutive years. I believe our current report continues to conform to the Certificate requirements and am submitting it to GFOA to determine its eligibility for another certificate.

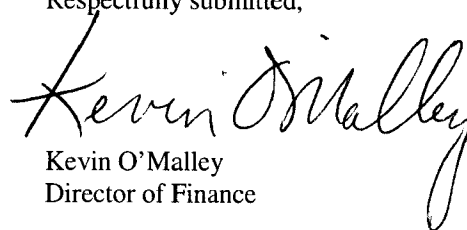
Responsibility and Acknowledgments

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2006. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I want to especially recognize the contributions of the City's Controller, Robin Marshall, Assistant Controller, Sara Sproule, Senior Accountant, Esther Rusch, and Internal Auditor, Nicole Heinrich Schmitz.

Also, I thank the Mayor, members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a dedicated, responsible, and progressive manner.

Respectfully submitted,


Kevin O'Malley
Director of Finance

Citizens of Iowa City

Mayor &
City Council

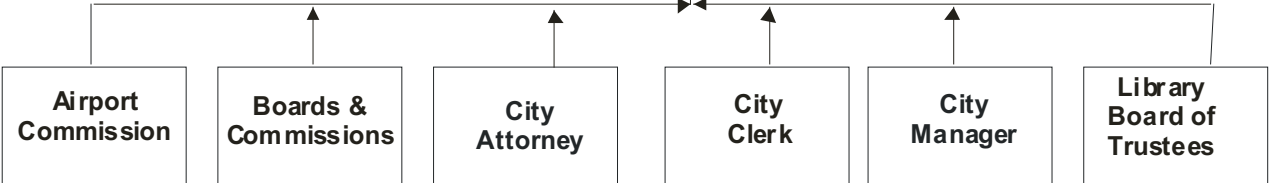
Key

Elected Officials

Appointed By Council & Mayor

Director/Manager
Employed by Board or Commission

Appointed By City Manager



Airport
Manager

Library
Director

Assistant
City
Manager

- Broadband Telecomm.
- Human Rights
- Human Resources

Finance
Director

- Administration
- Accounting
- Purchasing
- Document Services
- Information Technology Services
- Revenue
- Risk Management

Fire
Chief

- Admin/Training
- Fire Prevention
- Fire Suppression

Housing &
Inspection
Services
Director

- Admin.
- Building Inspection
- Housing Authority
- Housing Inspection

Parking
&
Transit
Director

- Parking
- Transit Operations
- Para-Transit

Parks &
Recreation
Director

- Administration
- CBD Maintenance
- Cemetery
- Forestry
- Government Buildings
- Parks
- Recreation

Planning &
Community
Development
Director

- Administration
- Community & Economic Development
- JCCOG Programs
- Neighborhood Services
- Urban Planning

Police
Chief

- Administration
- Animal Services
- Community Services
- Criminal Investigations
- Emergency Comm.
- Patrol
- Records & Investigation

Public Works
Director

- Administration
- Energy Conservation
- Engineering
- Equipment Maintenance
- Landfill
- Solid Waste Collection
- Stormwater Management
- Streets
- Traffic Engineering
- Wastewater Management
- Water

Senior Center
Coordinator

Senior Center

CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2006

ELECTED OFFICIALS

| | | <u>Term Expires</u> |
|----------------------------------|-----------------|----------------------------|
| Mayor | Ross Wilburn | January 1, 2008 |
| Council Member and Mayor Pro tem | Regenia Bailey | January 1, 2008 |
| Council Member | Connie Champion | January 1, 2010 |
| Council Member | Amy Correia | January 1, 2010 |
| Council Member | Bob Elliott | January 1, 2008 |
| Council Member | Mike O'Donnell | January 1, 2010 |
| Council Member | Dee Vanderhoef | January 1, 2008 |

APPOINTED OFFICIALS

| | | <u>Date of Hire</u> |
|---------------|-------------------|----------------------------|
| City Manager | Stephen J. Atkins | July 20, 1986 |
| City Clerk | Marian K. Karr | May 21, 1979 |
| City Attorney | Eleanor Dilkes | March 18, 1996 |

DEPARTMENT DIRECTORS

| | | |
|--|---------------------|--------------------|
| Assistant City Manager | Dale E. Helling | August 16, 1975 |
| Director of Housing and Inspection Services | Douglas W. Boothroy | September 22, 1975 |
| Library Director | Susan Craig | July 28, 1975 |
| Director of Planning & Community Development | Karin Franklin | May 19, 1980 |
| Director of Public Works | Rick Fosse | February 22, 1984 |
| Director of Parking and Transit | Joseph Fowler | January 2, 1970 |
| Senior Center Coordinator | Linda Kopping | March 20, 1995 |
| Fire Chief | Andrew Rocca | July 14, 1978 |
| Parks and Recreation Director | Terry G. Trueblood | February 18, 1986 |
| Director of Finance | Kevin O'Malley | August 19, 1985 |
| Chief of Police | Sam Hargadine | August 29, 2005 |

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Iowa City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Iowa City. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Iowa City, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Iowa City, Iowa. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
November 16, 2006

Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 9 of this report.

Financial Highlights

- The assets of the City of Iowa City exceeded its liabilities at the close of the fiscal year ending June 30, 2006 by \$326,922,000 (net assets). Of this amount, \$53,815,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$14,773,000 during the fiscal year. Governmental activities increased by \$7,372,000 and business-type activities increased by \$7,401,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$31,953,000, a decrease of \$1,564,000 in comparison with the prior year. Of this total amount, approximately \$27,066,000, or 85% was unreserved and is available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$16,551,000, or 38% of total General Fund expenditures.
- The City's total debt decreased by \$5,245,000, during the current fiscal year. The key factor to this decrease was the retirement of bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works (roads, traffic controls, and transit), Culture and Recreation, Community and Economic Development, General Government, and Interest on long-term debt. The business-type activities of the City include Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water.

The government-wide financial statements may be found on pages 26 – 29 of this report.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has five major governmental funds: General Fund, Employee Benefits Fund, Community Development Block Grant Fund, Capital Projects – Bridge, Street, and Traffic Control Construction Fund, and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as “Other Governmental Funds”. Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the Governmental funds and the Enterprise funds, to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 30 – 35 of this report.

Proprietary Funds: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water activities. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has four Internal Service Funds: Equipment Maintenance, Central Services, Loss Reserve, and Information Technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Wastewater Treatment, Water, Sanitation, and Housing Authority Funds are considered to be major funds and are reported individually throughout the report. The other 4 non-major enterprise funds are grouped together for reporting purposes and listed under a single heading “Other Enterprise Funds”. Detailed information for each of the non-major funds is provided in the combining statements on pages 80 – 82. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 36 – 41 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City's own programs and therefore are not reflected in the government-wide financial statements. The City has four fiduciary funds: Project Green, Library Foundation, Parks and Recreation Foundation, and PATV (Public Access Television) which are maintained as agency funds.

The basic fiduciary funds financial statements can be found on page 42.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 – 68 of this report.

Other Information: The combining statements referred to in the above paragraphs in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the notes.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$326,922,000 at the close of the fiscal year ended June 30, 2006.

By far, the largest portion of the City's net assets reflect its investment in capital assets (e.g., land, building, machinery and equipment, improvements other than buildings, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Iowa City's Net Assets

June 30, 2006

(amounts expressed in thousands)

| | Governmental activities | | Business-type activities | | Total | |
|--|----------------------------|------------|-----------------------------|------------|-----------|------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 99,035 | \$ 94,332 | \$ 87,544 | \$ 83,970 | \$186,579 | \$ 178,302 |
| Capital assets | 150,644 | 141,282 | 252,130 | 254,560 | 402,774 | 395,842 |
| Total Assets | 249,679 | 235,614 | 339,674 | 338,530 | 589,353 | 574,144 |
| Long-term liabilities outstanding | 80,333 | 79,122 | 121,239 | 126,966 | 201,572 | 206,088 |
| Current and other liabilities | 56,440 | 50,958 | 4,419 | 4,949 | 60,859 | 55,907 |
| Total Liabilities | 136,773 | 130,080 | 125,658 | 131,915 | 262,431 | 261,995 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 95,227 | 84,768 | 155,346 | 150,797 | 250,573 | 235,565 |
| Restricted | 6,852 | 16,973 | 15,682 | 15,038 | 22,534 | 32,011 |
| Unrestricted | 10,827 | 3,793 | 42,988 | 40,780 | 53,815 | 44,573 |
| Total Net Assets | \$ 112,906 | \$ 105,534 | \$ 214,016 | \$ 206,615 | \$326,922 | \$ 312,149 |

A portion of the City's net assets (6.9% or \$22,534,000) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (16.5% or \$53,815,000) may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities: Governmental activities increased the City's net assets by \$7,372,000. The increase in net assets of governmental activities is primarily due to expenditures for capital assets less depreciation expense.

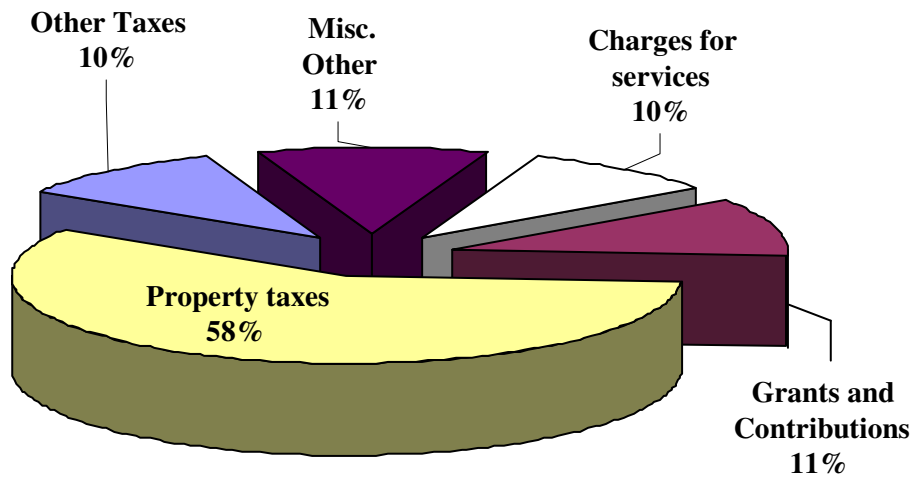
The following is a more detailed review of FY06's operation.

| City of Iowa City's Changes in Net Assets (amounts expressed in thousands) | | | | | | |
|---|----------------------------|------------|-----------------------------|------------|------------|------------|
| | Governmental activities | | Business-type activities | | Total | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 6,296 | \$ 6,139 | \$ 33,973 | \$ 33,647 | \$ 40,269 | \$ 39,786 |
| Operating grants and contributions | 2,937 | 2,592 | 7,417 | 7,012 | 10,354 | 9,604 |
| Capital grants and contributions | 3,849 | 7,679 | 3,018 | 2,387 | 6,867 | 10,066 |
| General Revenues: | | | | | | |
| Property taxes | 37,770 | 35,327 | - | - | 37,770 | 35,327 |
| Road use tax | 5,303 | 5,269 | - | - | 5,303 | 5,269 |
| Other taxes | 1,240 | 1,351 | - | - | 1,240 | 1,351 |
| Earnings on investments | 2,678 | 1,576 | 2,575 | 1,771 | 5,253 | 3,347 |
| Gain (loss) on disposal of capital assets | 100 | 95 | 185 | 304 | 285 | 399 |
| Other | 4,422 | 3,994 | 391 | 418 | 4,813 | 4,412 |
| Total revenues | 64,595 | 64,022 | 47,559 | 45,539 | 112,154 | 109,561 |
| Expenses: | | | | | | |
| Public safety | 16,690 | 15,286 | - | - | 16,690 | 15,286 |
| Public works | 12,723 | 11,521 | - | - | 12,723 | 11,521 |
| Culture and recreation | 11,458 | 11,341 | - | - | 11,458 | 11,341 |
| Community and economic development | 6,264 | 6,960 | - | - | 6,264 | 6,960 |
| General government | 6,892 | 6,500 | - | - | 6,892 | 6,500 |
| Interest on long-term debt | 3,404 | 3,602 | - | - | 3,404 | 3,602 |
| Wastewater Treatment | - | - | 11,710 | 12,214 | 11,710 | 12,214 |
| Water | - | - | 9,324 | 8,313 | 9,324 | 8,313 |
| Sanitation | - | - | 6,101 | 6,031 | 6,101 | 6,031 |
| Housing Authority | - | - | 7,026 | 7,466 | 7,026 | 7,466 |
| Parking | - | - | 3,884 | 3,989 | 3,884 | 3,989 |
| Airport | - | - | 512 | 520 | 512 | 520 |
| Stormwater | - | - | 817 | 1,452 | 817 | 1,452 |
| Cable Television | - | - | 576 | 607 | 576 | 607 |
| Total expenses | 57,431 | 55,210 | 39,950 | 40,592 | 97,381 | 95,802 |
| Change in net assets before transfers | 7,164 | 8,812 | 7,609 | 4,947 | 14,773 | 13,759 |
| Transfers | 208 | 645 | (208) | (645) | - | - |
| Change in net assets | 7,372 | 9,457 | 7,401 | 4,302 | 14,773 | 13,759 |
| Net assets beginning of year | 105,534 | 96,077 | 206,615 | 202,313 | 312,149 | 298,390 |
| Net assets end of year | \$ 112,906 | \$ 105,534 | \$ 214,016 | \$ 206,615 | \$ 326,922 | \$ 312,149 |

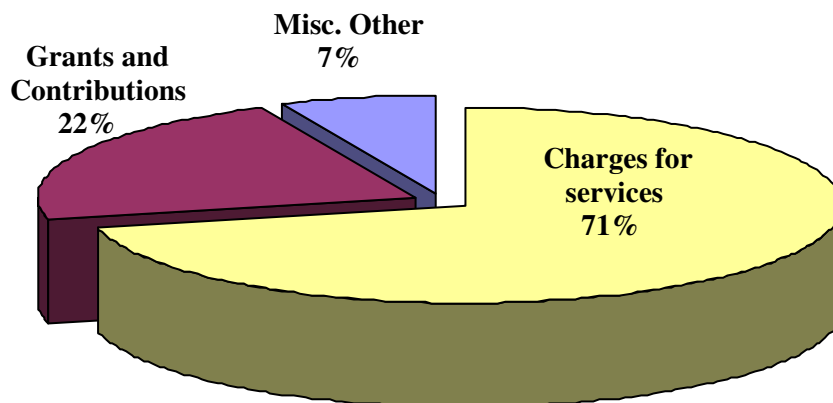
Business-type Activities: Business-type activities increased the City's total assets by \$7,401,000. The increases in net assets were primarily in the Wastewater, Water, and Sanitation funds. For all business-type activities, revenues exceeded expenses by \$7,609,000. This was primarily due to increases in grants and contributions and earnings on investments.

The graphs on the following pages represent a breakdown of revenue by source and expenditures by program area for governmental and business-type activities.

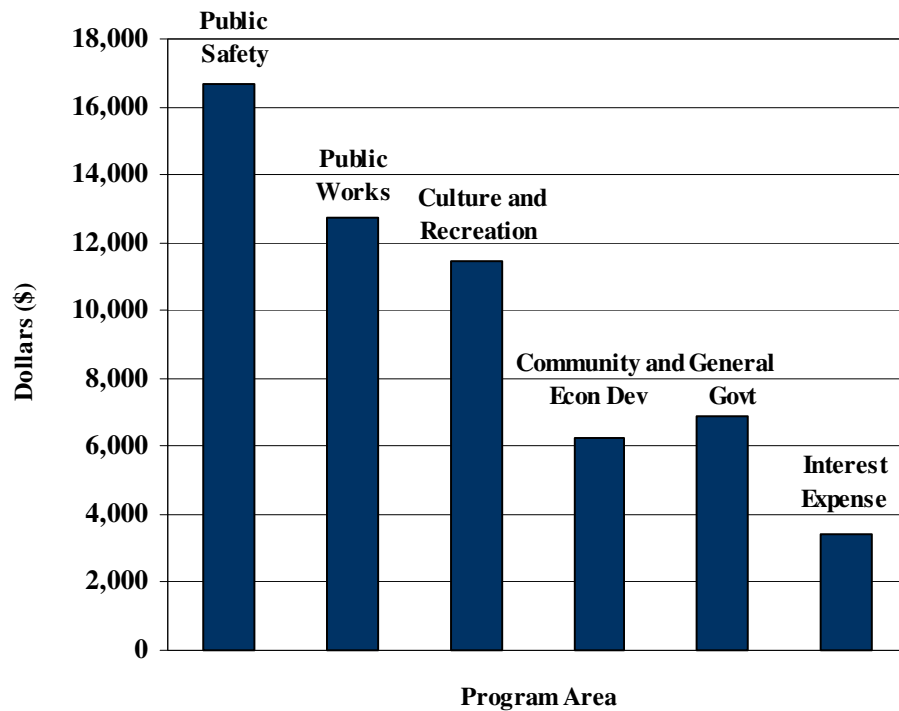
**Governmental Activities
FY2006 Revenue
by Source**



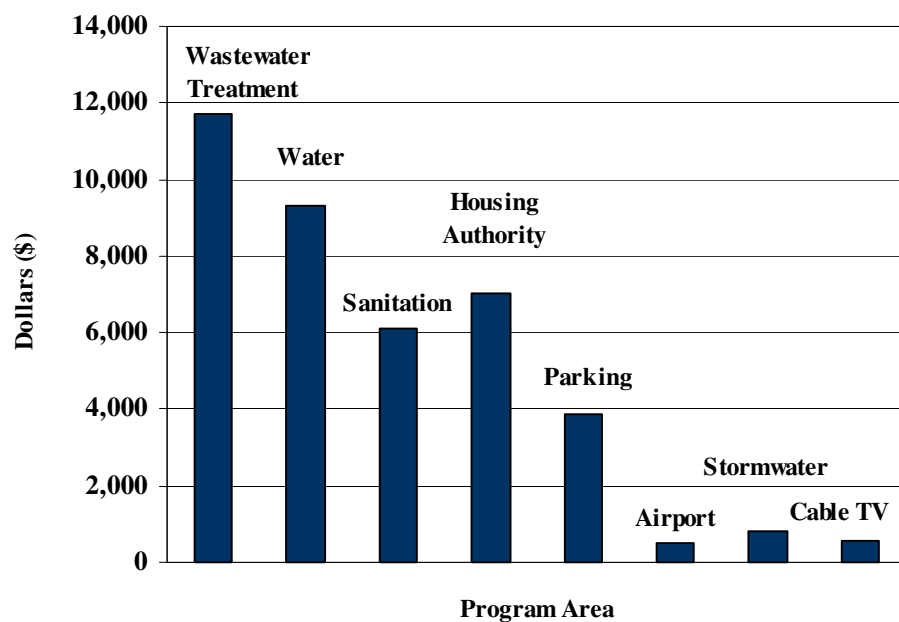
**Business-Type Activities
FY2006 Revenue
by Source**



**Governmental Activities
FY2006 Expenditures
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2006 Expenditures
by Program Area**
(amounts expressed in thousands)



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be/is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fiscal year ended June 30, 2006, the City's governmental funds reported combined ending fund balances of \$31,953,000, a decrease of \$1,564,000 in comparison with the prior year. Of this total amount, \$27,066,000 constitutes unreserved fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance (15.3%) is reserved to indicate that it is not available for new spending because it has already been committed. This remainder has been committed 1) to liquidate contracts and purchase orders of the prior period (\$600,000), 2) to fund various debt service payments (\$2,725,000), and 3) to fund employee retirement commitments (\$1,299,000).

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2006, the unreserved fund balance of the General Fund was \$16,551,000, while General Fund's total fund balance was \$17,121,000. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38.3% of total General Fund expenditures (\$43,158,000), while total fund balance represents 39.7% of that same amount.

The fund balance of the City's General Fund increased by \$1,234,000 during the current fiscal year. This was primarily due to an increase in intergovernmental revenue.

The Bridge, Street, and Traffic Control Construction Fund had a deficit fund balance of (\$1,855,000) as compared to a deficit balance of (\$1,210,000) in the prior period. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. \$20,000 of the fund balance (1.1%) is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2007 to cover the capital expenditures.

The Debt Service Fund had a fund balance of \$2,725,000, a decrease of \$342,000 from the prior year, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ending net assets of the enterprise funds were \$208,152,000, a net asset increase of \$7,398,000. This was primarily due to an increase in the investment of capital assets, net of related debt. Of the enterprise funds' net assets, \$155,346,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$37,124,000, an increase of \$2,205,000 compared to the previous year.

The Internal Service funds showed net assets totaling \$15,646,000 as of June 30, 2006, an increase of \$281,000 from the previous year.

Budgetary Highlights

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type.

The City had two budget amendments during the fiscal year, which is our common practice. These amendments increased the expenditure budget by \$25.4 million to a total of \$188.2 million. This represented a 15.6 percent increase. The major increase was due to capital projects in governmental and business-type funds due to timing of completion of projects.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$402,774,000 (net of accumulated depreciation). This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2006 increased by \$9,363,000 for governmental activities compared to the prior year and decreased by \$2,431,000 for business-type activities over the prior year.

The following table reflects the \$402,774,000 investment in capital assets (net of accumulated depreciation).

City of Iowa City's Capital Assets (net of depreciation)

(amounts expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Land | \$ 12,969 | \$ 12,922 | \$ 22,997 | \$ 22,289 | \$ 35,966 | \$ 35,211 |
| Buildings | 44,258 | 33,766 | 84,113 | 87,213 | 128,371 | 120,979 |
| Improvements other than buildings | 3,672 | 2,958 | 8,340 | 8,697 | 12,012 | 11,655 |
| Machinery and equipment | 11,027 | 11,121 | 12,424 | 13,336 | 23,451 | 24,457 |
| Infrastructure | 64,939 | 64,312 | 121,064 | 119,773 | 186,003 | 184,085 |
| Construction in progress | 13,779 | 16,202 | 3,192 | 3,253 | 16,971 | 19,455 |
| Total | \$ 150,644 | \$ 141,281 | \$ 252,130 | \$ 254,561 | \$ 402,774 | \$ 395,842 |

Major capital asset events during the current fiscal year included the following:

- The Court Street Transportation Center opened in September 2005. It includes facilities for interstate bus service, taxi service, a parking facility, day care center and other commercial space. Total construction costs for this project were \$11,860,000.
- Airport projects included environmental assessment, runway design, grading, lighting, paving and runway extension. CIP at fiscal year end totaled \$1,111,000.
- A variety of street and bridge construction in new residential areas and replacement and expansion of existing infrastructure amounted to \$10,501,000.
- The fire department purchased a new aerial ladder truck at a cost of \$848,000.
- Restoration of the Iowa River Power Dam to preserve the City's water supplies and reconstruction of a pedestrian bridge and observation platforms were completed at a cost of \$2,286,000.
- Construction of the fifth landfill cell as part of the landfill master plan. CIP at fiscal year end totaled \$1,111,000.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Debt Administration: At the end of the fiscal year, the City had total bonded debt outstanding of \$190,975,000. Of this amount, \$85,060,000 comprises debt backed by the full faith and credit of the City. However, 8% of this total, \$6,879,000 is debt that serves enterprise funds and is abated by their charges for services. The remaining \$105,915,000 represents revenue bonds secured solely by specific revenue sources.

City of Iowa City's Outstanding Debt
General Obligation and Revenue Bonds
(amounts expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|------------------------------------|------------------|-------------------------------------|-------------------|-------------------|-------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| General obligation bonds | \$ 78,181 | \$ 77,015 | \$ 6,879 | \$ 8,275 | \$ 85,060 | \$ 85,290 |
| Revenue bonds | - | - | 105,915 | 110,930 | 105,915 | 110,930 |
| Total | <u>\$ 78,181</u> | <u>\$ 77,015</u> | <u>\$ 112,794</u> | <u>\$ 119,205</u> | <u>\$ 190,975</u> | <u>\$ 196,220</u> |

During the current fiscal year the City's total bonded debt decreased by \$5,245,000.

- The City issued \$7,265,000 in General Obligation bonds during FY06. The bonds were used to finance the cost of the City's 2006 and 2007 Capital Improvements Programs.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2006 were as follows:

| | |
|------------------------------------|-----|
| General obligation bonds | Aaa |
| Parking revenue bonds | A |
| Wastewater treatment revenue bonds | A |
| Water revenue bonds | A |

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in Iowa City. The current debt limitation for the City is \$186,629,525. With outstanding General Obligation Debt applicable to this limit of \$85,060,000 we are utilizing 46% of this limit.

More detailed information on debt administration is provided in Note 6 of the financial statements.

Economic Factors and Next Year's Budget and Rates

The City's expectation is continued constraints by the State property tax formula. Therefore, the City will not have opportunities for new initiatives and will strive to maintain current service delivery levels.

Requests for Information

This report is designed to provide a general overview of the City of Iowa City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to City of Iowa City, Finance Department, 410 E. Washington Street, Iowa City, IA, 52240.



CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS

June 30, 2006

(amounts expressed in thousands)

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Assets | | | |
| Equity in pooled cash and investments | \$ 39,127 | \$ 47,914 | \$ 87,041 |
| Receivables: | | | |
| Property tax | 39,313 | - | 39,313 |
| Accounts and unbilled usage | 96 | 3,664 | 3,760 |
| Interest | 667 | 1,210 | 1,877 |
| Notes | 10,920 | 1,477 | 12,397 |
| Internal balances | (6,696) | 6,696 | - |
| Due from other governments | 4,600 | 271 | 4,871 |
| Prepaid insurance | - | - | - |
| Inventories | 430 | 361 | 791 |
| Restricted assets: | | | |
| Equity in pooled cash and investments | 10,578 | 25,951 | 36,529 |
| Capital assets: | | | |
| Land and construction in progress | 26,748 | 26,188 | 52,936 |
| Other capital assets (net of accumulated depreciation) | 123,896 | 225,942 | 349,838 |
| Total assets | <u>249,679</u> | <u>339,674</u> | <u>589,353</u> |
| Liabilities | | | |
| Accounts payable | 4,151 | 467 | 4,618 |
| Contracts payable | 1,768 | 348 | 2,116 |
| Accrued liabilities | 3,117 | 292 | 3,409 |
| Interest payable | 286 | 2,642 | 2,928 |
| Deposits | 815 | 590 | 1,405 |
| Due to other governments | - | 80 | 80 |
| Unearned revenue | 46,303 | - | 46,303 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Employee vested benefits | 955 | 241 | 1,196 |
| Bonds payable | 6,715 | 6,584 | 13,299 |
| Due in more than one year: | | | |
| Employee vested benefits | 880 | 221 | 1,101 |
| Notes Payable | 211 | - | 211 |
| Bonds payable | 71,572 | 105,205 | 176,777 |
| Landfill closure/post-closure liability | - | 8,988 | 8,988 |
| Total liabilities | <u>136,773</u> | <u>125,658</u> | <u>262,431</u> |
| | | | (continued) |

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS (continued)

June 30, 2006

(amounts expressed in thousands)

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 95,227 | \$ 155,346 | \$ 250,573 |
| Restricted for or by: | | | |
| Employee benefits | 1,299 | - | 1,299 |
| Debt service | 2,725 | - | 2,725 |
| Streets | 2,782 | - | 2,782 |
| Other purposes | 46 | - | 46 |
| Bond ordinance | - | 13,254 | 13,254 |
| State statute | - | 517 | 517 |
| Future improvements | - | 42 | 42 |
| Grant agreement | - | 1,869 | 1,869 |
| Unrestricted | 10,827 | 42,988 | 53,815 |
| Total net assets | <u>\$ 112,906</u> | <u>\$ 214,016</u> | <u>\$ 326,922</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| Functions/Programs: | <u>Expenses</u> | <u>Program Revenues</u> | | |
|------------------------------------|------------------|---------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| Public safety | \$ 16,690 | \$ 2,971 | \$ 253 | \$ 58 |
| Public works | 12,723 | 1,062 | 837 | 3,695 |
| Culture and recreation | 11,458 | 707 | - | 96 |
| Community and economic development | 6,264 | - | 1,847 | - |
| General government | 6,892 | 1,556 | - | - |
| Interest on long-term debt | 3,404 | - | - | - |
| Total governmental activities | <u>57,431</u> | <u>6,296</u> | <u>2,937</u> | <u>3,849</u> |
| Business-type activities: | | | | |
| Wastewater Treatment | 11,710 | 12,145 | - | 773 |
| Water | 9,324 | 9,012 | - | 606 |
| Sanitation | 6,101 | 7,133 | 3 | 46 |
| Housing Authority | 7,026 | 168 | 7,414 | - |
| Parking | 3,884 | 3,936 | - | - |
| Airport | 512 | 264 | - | 1,125 |
| Stormwater | 817 | 597 | - | 468 |
| Cable television | 576 | 718 | - | - |
| Total business-type activities | <u>39,950</u> | <u>33,973</u> | <u>7,417</u> | <u>3,018</u> |
| Total | <u>\$ 97,381</u> | <u>\$ 40,269</u> | <u>\$ 10,354</u> | <u>\$ 6,867</u> |

General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year

Net assets end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|-------------------|
| \$ (13,408) | \$ - | \$ (13,408) |
| (7,129) | - | (7,129) |
| (10,655) | - | (10,655) |
| (4,417) | - | (4,417) |
| (5,336) | - | (5,336) |
| (3,404) | - | (3,404) |
| <u>(44,349)</u> | <u>-</u> | <u>(44,349)</u> |
| - | 1,208 | 1,208 |
| - | 294 | 294 |
| - | 1,081 | 1,081 |
| - | 556 | 556 |
| - | 52 | 52 |
| - | 877 | 877 |
| - | 248 | 248 |
| - | 142 | 142 |
| - | <u>4,458</u> | <u>4,458</u> |
| <u>(44,349)</u> | <u>4,458</u> | <u>(39,891)</u> |
| 37,770 | - | 37,770 |
| 5,303 | - | 5,303 |
| 674 | - | 674 |
| 566 | - | 566 |
| 2,678 | 2,575 | 5,253 |
| 100 | 185 | 285 |
| 4,422 | 391 | 4,813 |
| 208 | (208) | - |
| <u>51,721</u> | <u>2,943</u> | <u>54,664</u> |
| 7,372 | 7,401 | 14,773 |
| <u>105,534</u> | <u>206,615</u> | <u>312,149</u> |
| <u>\$ 112,906</u> | <u>\$ 214,016</u> | <u>\$ 326,922</u> |

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2006
(amounts expressed in thousands)

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | | | |
|---------------------------------------|------------------------|------------------------------|--------------------------|--|----------------------|--------------------------------|----------------------|
| | | | Community Development | Bridge, Street, and Traffic Control | Debt Service | Other Governmental Funds | Total |
| | <u>General</u> | <u>Employee Benefits</u> | <u>Block Grant</u> | <u>Construction</u> | | | |
| Assets | | | | | | | |
| Equity in pooled cash and investments | \$ 18,706 | \$ 1,233 | \$ - | \$ 1,325 | \$ 2,019 | \$ 3,844 | \$ 27,127 |
| Receivables: | | | | | | | |
| Property tax | 21,850 | 8,420 | - | - | 9,042 | 1 | 39,313 |
| Accounts and unbilled usage | 93 | - | - | - | - | 3 | 96 |
| Interest | 322 | 26 | - | - | 24 | 103 | 475 |
| Notes | 121 | - | 10,029 | - | 387 | 383 | 10,920 |
| Advances to other funds | 16 | - | 18 | - | 247 | - | 281 |
| Due from other governments | 1,540 | 219 | 89 | 2,070 | - | 644 | 4,562 |
| Inventories | 167 | - | - | - | - | - | 167 |
| Restricted assets: | | | - | | | | |
| Equity in pooled cash and investments | <u>1,316</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,262</u> | <u>10,578</u> |
| Total assets | <u>\$ 44,131</u> | <u>\$ 9,898</u> | <u>\$ 10,136</u> | <u>\$ 3,395</u> | <u>\$ 11,719</u> | <u>\$ 14,240</u> | <u>\$ 93,519</u> |

(continued)

CITY OF IOWA CITY, IOWA

**BALANCE SHEET (continued)
GOVERNMENTAL FUNDS**

June 30, 2006
(amounts expressed in thousands)

| | <u>Special Revenue</u> | | | <u>Capital Projects</u> | | | |
|---|------------------------|------------------------------|--------------------------|-----------------------------------|-------------------------|--------------------------------|------------------|
| | | | Community Development | Bridge, Street, and Traffic | | Other Governmental Funds | |
| | <u>General</u> | <u>Employee Benefits</u> | <u>Block Grant</u> | <u>Control Construction</u> | <u>Debt Service</u> | | <u>Total</u> |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 1,207 | \$ 4 | \$ 37 | \$ 1,953 | \$ - | \$ 281 | \$ 3,482 |
| Contracts payable | - | - | - | 1,233 | - | 535 | 1,768 |
| Accrued liabilities | 1,123 | 1 | 9 | 16 | - | 22 | 1,171 |
| Advances from other funds | 850 | - | 16 | - | - | 247 | 1,113 |
| Deferred revenue | 23,015 | 8,594 | 10,047 | 2,048 | 8,994 | 519 | 53,217 |
| Liabilities payable from restricted assets: | | | | | | | |
| Deposits | 815 | - | - | - | - | - | 815 |
| Total liabilities | <u>27,010</u> | <u>8,599</u> | <u>10,109</u> | <u>5,250</u> | <u>8,994</u> | <u>1,604</u> | <u>61,566</u> |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Inventories | 167 | - | - | - | - | - | 167 |
| Encumbrances | 307 | - | - | 20 | - | 273 | 600 |
| Debt service | - | - | - | - | 2,725 | - | 2,725 |
| Employee retirement commitments | - | 1,299 | - | - | - | - | 1,299 |
| Perpetual care | 96 | - | - | - | - | - | 96 |
| Unreserved | | | | | | | |
| Undesignated: | | | | | | | |
| General fund | 16,551 | - | - | - | - | - | 16,551 |
| Special revenue funds | - | - | 27 | - | - | 3,395 | 3,422 |
| Capital projects funds | - | - | - | (1,875) | - | 8,968 | 7,093 |
| Total fund balances | <u>17,121</u> | <u>1,299</u> | <u>27</u> | <u>(1,855)</u> | <u>2,725</u> | <u>12,636</u> | <u>31,953</u> |
| Total liabilities and fund balances | <u>\$ 44,131</u> | <u>\$ 9,898</u> | <u>\$ 10,136</u> | <u>\$ 3,395</u> | <u>\$ 11,719</u> | <u>\$ 14,240</u> | <u>\$ 93,519</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2006
(amounts expressed in thousands)

| | |
|--|-------------------|
| Total governmental fund balances | \$ 31,953 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 15,646 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: | |
| Notes receivable - Earned but unavailable | 6,914 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. | 144,773 |
| Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds. | (1,732) |
| Bonds payable are not due and payable in the current period and therefore are not reported in the funds. | (78,287) |
| Notes payable are not due and payable in the current period and therefore are not reported in the funds. | (211) |
| Accrued interest on bonds | (286) |
| Internal balance due to integration of internal service funds | <u>(5,864)</u> |
| Total net assets of governmental activities | <u>\$ 112,906</u> |

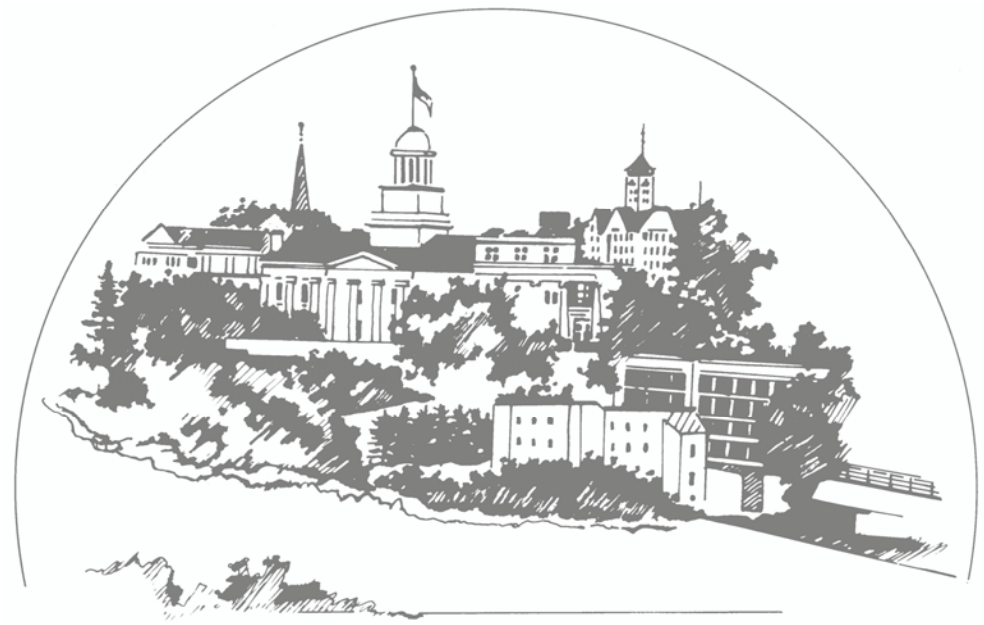
The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | | <u>Special Revenue</u> | | <u>Capital Projects</u> | | | |
|---|------------------|------------------------|-----------------------------------|--|-----------------|--------------------------|------------------|
| | | | | Bridge, Street, and Traffic Control Construction | | | |
| | General | Employee Benefits | Community Development Block Grant | | Debt Service | Other Governmental Funds | Total |
| Revenues | | | | | | | |
| Taxes | \$ 20,897 | \$ 8,296 | \$ - | \$ - | \$ 8,841 | \$ 977 | \$ 39,011 |
| Licenses and permits | 1,279 | - | - | - | - | - | 1,279 |
| Intergovernmental | 3,033 | - | 1,626 | 2,606 | - | 6,995 | 14,260 |
| Charges for services | 2,040 | 187 | - | - | - | - | 2,227 |
| Use of money and property | 1,677 | 11 | - | - | 208 | 307 | 2,203 |
| Miscellaneous | 3,394 | - | 350 | 12 | 100 | 320 | 4,176 |
| Total revenues | <u>32,320</u> | <u>8,494</u> | <u>1,976</u> | <u>2,618</u> | <u>9,149</u> | <u>8,599</u> | <u>63,156</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Public safety | 15,678 | 124 | - | - | - | 17 | 15,819 |
| Public works | 8,987 | - | - | 1,290 | - | 74 | 10,351 |
| Culture and recreation | 9,905 | - | - | - | - | 217 | 10,122 |
| Community and economic development | 854 | - | 474 | - | - | 3,370 | 4,698 |
| General government | 6,198 | 225 | - | - | - | 87 | 6,510 |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | 6,099 | - | 6,099 |
| Interest | - | - | - | - | 3,458 | - | 3,458 |
| Capital outlay | 1,536 | - | 1,458 | 9,510 | - | 2,649 | 15,153 |
| Total expenditures | <u>43,158</u> | <u>349</u> | <u>1,932</u> | <u>10,800</u> | <u>9,557</u> | <u>6,414</u> | <u>72,210</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(10,838)</u> | <u>8,145</u> | <u>44</u> | <u>(8,182)</u> | <u>(408)</u> | <u>2,185</u> | <u>(9,054)</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Issuance of debt | - | - | - | 1,000 | - | 6,265 | 7,265 |
| Sale of capital assets | 91 | - | - | 18 | - | - | 109 |
| Premium (discount) on issuance of bonds | - | - | - | (6) | - | 35 | 29 |
| Transfers in | 13,002 | - | - | 7,370 | 66 | 1,189 | 21,627 |
| Transfers out | (1,021) | (8,152) | (65) | (845) | - | (11,457) | (21,540) |
| Total other financing sources and (uses) | <u>12,072</u> | <u>(8,152)</u> | <u>(65)</u> | <u>7,537</u> | <u>66</u> | <u>(3,968)</u> | <u>7,490</u> |
| Net change in fund balances | 1,234 | (7) | (21) | (645) | (342) | (1,783) | (1,564) |
| Fund Balances, Beginning | <u>15,887</u> | <u>1,306</u> | <u>48</u> | <u>(1,210)</u> | <u>3,067</u> | <u>14,419</u> | <u>33,517</u> |
| Fund Balances, Ending | <u>\$ 17,121</u> | <u>\$ 1,299</u> | <u>\$ 27</u> | <u>\$ (1,855)</u> | <u>\$ 2,725</u> | <u>\$ 12,636</u> | <u>\$ 31,953</u> |



CITY OF IOWA CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (1,564)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over the
life of the asset. Capital outlays and contributed capital assets exceeded
depreciation expense in the current year as follows:

| | | |
|---------------------------------|----------------|-------|
| Expenditures for capital assets | \$ 14,488 | |
| Capital assets contributed | 859 | |
| Depreciation expense | <u>(5,583)</u> | 9,764 |

Bond proceeds are reported as financing sources in governmental funds and thus
contribute to the change in fund balance. In the statement of net assets,
however, issuing debt increases long-term liabilities and does not affect the
statement of activities. Similarly, repayment of principal is an expenditure in
the governmental funds but reduces the liability in the statement of net assets.

| | | |
|-------------------------|-----------|---------|
| Debt issued | (7,265) | |
| Premium on bonds issued | (29) | |
| Repayments of debt | 6,099 | |
| Amortization of premium | <u>14</u> | (1,181) |

Because some revenues will not be collected for several months after the
City's year end, they are not considered available revenues and are deferred
in the governmental funds.

63

Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in governmental funds:

| | |
|--|------|
| Change in accrued compensated absences | (14) |
| Change in accrued interest on debt | 40 |

In the statement of activities, only the gain on the sale of the capital assets is
recognized, whereas in the governmental funds, the proceeds from the sale
increased financial resources. Thus, the change in net assets differs from the
change in fund balance by the cost of the capital asset sold.

(9)

Prepaid items in the governmental funds have been recorded
as expenditures when paid. However, the statement of activities will report
these items as expenses in the period that the corresponding net asset is
exhausted.

(5)

Internal service funds are used by management to charge the costs
of certain activities to individual funds. The net revenue of certain activities of
internal service funds is reported with governmental activities.

278

| | |
|---|-----------------|
| Change in net assets of governmental activities | <u>\$ 7,372</u> |
|---|-----------------|

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2006
(amounts expressed in thousands)

| | <u>Business-type Activities - Enterprise Funds</u> | | | | | | Governmental Activities - |
|---------------------------------------|--|---------------|-------------------|------------------|---------------------|----------------|------------------------------|
| | Wastewater | | | Housing | Other Enterprise | | Internal Service |
| | <u>Treatment</u> | <u>Water</u> | <u>Sanitation</u> | <u>Authority</u> | <u>Funds</u> | <u>Total</u> | <u>Funds</u> |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Equity in pooled cash and investments | \$ 10,598 | \$ 15,013 | \$ 15,551 | \$ 2,531 | \$ 4,221 | \$ 47,914 | \$ 12,000 |
| Receivables: | | | | | | | |
| Accounts and unbilled usage | 1,599 | 1,064 | 433 | 187 | 381 | 3,664 | - |
| Interest | 303 | 324 | 403 | 74 | 106 | 1,210 | 192 |
| Notes | - | - | - | 1,252 | 225 | 1,477 | - |
| Advances to other funds | - | - | 2,074 | - | - | 2,074 | - |
| Due from other governments | - | 68 | 51 | 64 | 88 | 271 | 38 |
| Inventories | - | 361 | - | - | - | 361 | 263 |
| Total current assets | <u>12,500</u> | <u>16,830</u> | <u>18,512</u> | <u>4,108</u> | <u>5,021</u> | <u>56,971</u> | <u>12,493</u> |
| Noncurrent assets: | | | | | | | |
| Restricted assets: | | | | | | | |
| Equity in pooled cash and investments | 9,279 | 3,389 | 10,090 | 1,869 | 1,324 | 25,951 | - |
| Capital assets: | | | | | | | |
| Land | 695 | 6,296 | 1,055 | 848 | 14,102 | 22,996 | 45 |
| Buildings | 59,486 | 23,408 | 999 | 5,474 | 29,274 | 118,641 | 831 |
| Improvements other than buildings | 7,365 | 2,318 | 121 | 9 | 408 | 10,221 | 50 |
| Machinery and equipment | 9,810 | 10,372 | 153 | 115 | 821 | 21,271 | 12,193 |
| Infrastructure | 83,453 | 40,281 | 9,315 | - | 30,734 | 163,783 | 940 |
| Accumulated depreciation | (46,118) | (12,816) | (6,888) | (3,104) | (19,048) | (87,974) | (8,188) |
| Construction in progress | 60 | 177 | 1,114 | 210 | 1,631 | 3,192 | - |
| Total noncurrent assets | <u>124,030</u> | <u>73,425</u> | <u>15,959</u> | <u>5,421</u> | <u>59,246</u> | <u>278,081</u> | <u>5,871</u> |
| Total assets | <u>136,530</u> | <u>90,255</u> | <u>34,471</u> | <u>9,529</u> | <u>64,267</u> | <u>335,052</u> | <u>18,364</u> |

(continued)

CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS**

June 30, 2006
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Funds |
|---|---|------------------|------------------|----------------------|------------------------------|-------------------|--|
| | Wastewater Treatment | Water | Sanitation | Housing Authority | Other Enterprise Funds | Total | |
| Liabilities | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 72 | \$ 167 | \$ 94 | \$ 79 | \$ 55 | \$ 467 | \$ 669 |
| Contracts payable | - | - | 155 | - | 193 | 348 | - |
| Accrued liabilities | 129 | 190 | 185 | 58 | 192 | 754 | 2,049 |
| Advances from other funds | - | - | - | - | 1,224 | 1,224 | - |
| Due to other governments | - | 10 | 57 | 13 | - | 80 | - |
| Bonded debt payable (net of unamortized discounts) | <u>4,073</u> | <u>1,866</u> | <u>-</u> | <u>-</u> | <u>645</u> | <u>6,584</u> | <u>-</u> |
| Total current liabilities | <u>4,274</u> | <u>2,233</u> | <u>491</u> | <u>150</u> | <u>2,309</u> | <u>9,457</u> | <u>2,718</u> |
| Noncurrent liabilities: | | | | | | | |
| Liabilities payable from restricted assets: | | | | | | | |
| Interest payable | 1,657 | 666 | - | - | 319 | 2,642 | - |
| Deposits | - | 366 | 1 | 210 | 13 | 590 | - |
| Advances from other funds | - | - | - | 18 | - | 18 | - |
| Bonded debt payable (net of unamortized discounts) | 63,967 | 30,930 | - | - | 10,308 | 105,205 | - |
| Landfill closure/postclosure liability | <u>-</u> | <u>-</u> | <u>8,988</u> | <u>-</u> | <u>-</u> | <u>8,988</u> | <u>-</u> |
| Total noncurrent liabilities | <u>65,624</u> | <u>31,962</u> | <u>8,989</u> | <u>228</u> | <u>10,640</u> | <u>117,443</u> | <u>-</u> |
| Total liabilities | <u>69,898</u> | <u>34,195</u> | <u>9,480</u> | <u>378</u> | <u>12,949</u> | <u>126,900</u> | <u>2,718</u> |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 55,376 | 42,391 | 5,869 | 3,552 | 48,158 | 155,346 | 5,871 |
| Restricted by bond ordinance | 9,278 | 2,705 | - | - | 1,271 | 13,254 | - |
| Restricted by state statute | - | - | 517 | - | - | 517 | - |
| Restricted for future improvements | - | - | - | - | 42 | 42 | - |
| Restricted by grant agreement | - | - | - | 1,869 | - | 1,869 | - |
| Unrestricted | <u>1,978</u> | <u>10,964</u> | <u>18,605</u> | <u>3,730</u> | <u>1,847</u> | <u>37,124</u> | <u>9,775</u> |
| Total net assets | <u>\$ 66,632</u> | <u>\$ 56,060</u> | <u>\$ 24,991</u> | <u>\$ 9,151</u> | <u>\$ 51,318</u> | 208,152 | <u>\$ 15,646</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | | 5,864 | |
| Net assets of business-type activities | | | | | | <u>\$ 214,016</u> | |

The notes to the financial statements are an integral part of this statement.



CITY OF IOWA CITY, IOWA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities - |
|---|---|------------------|------------------|----------------------|------------------------------|----------------|------------------------------|
| | Wastewater Treatment | Water | Sanitation | Housing Authority | Other Enterprise Funds | Total | Internal Service Funds |
| Operating Revenues: | | | | | | | |
| Charges for services | \$ 12,145 | \$ 9,012 | \$ 7,133 | \$ 168 | \$ 5,515 | \$ 33,973 | \$ 12,427 |
| Miscellaneous | 40 | 165 | 6 | 87 | 93 | 391 | - |
| Total operating revenues | <u>12,185</u> | <u>9,177</u> | <u>7,139</u> | <u>255</u> | <u>5,608</u> | <u>34,364</u> | <u>12,427</u> |
| Operating Expenses: | | | | | | | |
| Personal services | 1,565 | 2,024 | 1,949 | 801 | 2,116 | 8,455 | 1,633 |
| Commodities | 533 | 1,908 | 215 | 29 | 199 | 2,884 | 1,900 |
| Services and charges | <u>2,162</u> | <u>1,765</u> | <u>3,379</u> | <u>6,007</u> | <u>1,216</u> | <u>14,529</u> | <u>8,066</u> |
| | 4,260 | 5,697 | 5,543 | 6,837 | 3,531 | 25,868 | 11,599 |
| Depreciation | <u>4,037</u> | <u>1,985</u> | <u>553</u> | <u>178</u> | <u>1,563</u> | <u>8,316</u> | <u>1,342</u> |
| Total operating expenses | <u>8,297</u> | <u>7,682</u> | <u>6,096</u> | <u>7,015</u> | <u>5,094</u> | <u>34,184</u> | <u>12,941</u> |
| Operating income (loss) | <u>3,888</u> | <u>1,495</u> | <u>1,043</u> | <u>(6,760)</u> | <u>514</u> | <u>180</u> | <u>(514)</u> |
| Nonoperating Revenues (Expenses): | | | | | | | |
| Gain (loss) on disposal of equipment | 17 | (25) | - | 180 | 13 | 185 | 64 |
| Operating grants | - | - | 3 | 7,414 | - | 7,417 | - |
| Interest income | 596 | 741 | 836 | 198 | 204 | 2,575 | 479 |
| Interest expense | <u>(3,375)</u> | <u>(1,607)</u> | <u>-</u> | <u>-</u> | <u>(656)</u> | <u>(5,638)</u> | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>(2,762)</u> | <u>(891)</u> | <u>839</u> | <u>7,792</u> | <u>(439)</u> | <u>4,539</u> | <u>543</u> |
| Income (loss) before capital contributions and transfers | 1,126 | 604 | 1,882 | 1,032 | 75 | 4,719 | 29 |
| Capital contributions | 773 | 606 | 46 | - | 1,593 | 3,018 | - |
| Transfers in | 60 | - | - | 65 | 917 | 1,042 | 255 |
| Transfers out | <u>(222)</u> | <u>(467)</u> | <u>(131)</u> | <u>(86)</u> | <u>(475)</u> | <u>(1,381)</u> | <u>(3)</u> |
| Change in net assets | 1,737 | 743 | 1,797 | 1,011 | 2,110 | 7,398 | 281 |
| Net Assets, Beginning | <u>64,895</u> | <u>55,317</u> | <u>23,194</u> | <u>8,140</u> | <u>49,208</u> | | <u>15,365</u> |
| Net Assets, Ending | <u>\$ 66,632</u> | <u>\$ 56,060</u> | <u>\$ 24,991</u> | <u>\$ 9,151</u> | <u>\$ 51,318</u> | | <u>\$ 15,646</u> |

Adjustment to reflect the consolidation of internal service fund activities
related to enterprise funds.

Change in net assets of business-type activities

3

\$ 7,401

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Funds |
|---|---|------------------|------------------|----------------------|------------------------------|------------------|--|
| | Wastewater Treatment | Water | Sanitation | Housing Authority | Other Enterprise Funds | Total | |
| Cash Flows From Operating Activities | | | | | | | |
| Receipts from customers and users | \$ 12,058 | \$ 9,188 | \$ 7,268 | \$ 42 | \$ 5,602 | \$ 34,158 | \$ 12,531 |
| Payments to suppliers | (2,823) | (3,980) | (2,992) | (6,030) | \$ (1,494) | (17,319) | \$ (10,027) |
| Payments to employees | (1,561) | (2,024) | (1,924) | (795) | \$ (2,094) | (8,398) | \$ (1,220) |
| Net cash flows from operating activities | <u>7,674</u> | <u>3,184</u> | <u>2,352</u> | <u>(6,783)</u> | <u>2,014</u> | <u>8,441</u> | <u>1,284</u> |
| Cash Flows From Noncapital Financing Activities | | | | | | | |
| Grants received | - | - | 3 | 7,414 | - | 7,417 | - |
| Transfers from other funds | 60 | - | - | 65 | 917 | 1,042 | 255 |
| Transfers to other funds | (222) | (467) | (131) | (86) | (475) | (1,381) | (3) |
| Repayment/(payment) of notes receivable | - | - | - | (189) | 25 | (164) | - |
| Advances to other funds | - | - | (212) | - | - | (212) | - |
| Repayment of advances from other funds | - | - | - | - | (35) | (35) | - |
| Net cash flows from noncapital financing activities | <u>(162)</u> | <u>(467)</u> | <u>(340)</u> | <u>7,204</u> | <u>432</u> | <u>6,667</u> | <u>252</u> |
| Cash Flows From Capital and Related Financing Activities | | | | | | | |
| Capital grants received | - | - | - | - | 1,125 | 1,125 | - |
| Acquisition and construction of property and equipment | (233) | (120) | (1,691) | (241) | (1,985) | (4,270) | (948) |
| Proceeds from sale of property | 21 | - | - | 462 | 13 | 496 | 64 |
| Principal paid on bonded debt | (3,983) | (1,812) | - | - | (616) | (6,411) | - |
| Interest paid on bonded debt | (3,398) | (1,607) | - | - | (661) | (5,666) | - |
| Net cash flows from capital and related financing activities | <u>(7,593)</u> | <u>(3,539)</u> | <u>(1,691)</u> | <u>221</u> | <u>(2,124)</u> | <u>(14,726)</u> | <u>(884)</u> |
| Cash Flows From Investing Activities | | | | | | | |
| Interest on investments | <u>490</u> | <u>635</u> | <u>711</u> | <u>169</u> | <u>159</u> | <u>2,164</u> | <u>404</u> |
| Net increase (decrease) in cash and cash equivalents | 409 | (187) | 1,032 | 811 | 481 | 2,546 | 1,056 |
| Cash and Cash Equivalents, Beginning | <u>19,468</u> | <u>18,589</u> | <u>24,609</u> | <u>3,589</u> | <u>5,064</u> | <u>71,319</u> | <u>10,944</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 19,877</u> | <u>\$ 18,402</u> | <u>\$ 25,641</u> | <u>\$ 4,400</u> | <u>\$ 5,545</u> | <u>\$ 73,865</u> | <u>\$ 12,000</u> |

CITY OF IOWA CITY, IOWA

**STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities - |
|---|---|-----------------|-----------------|----------------------|------------------------------|-----------------|------------------------------|
| | Wastewater Treatment | Water | Sanitation | Housing Authority | Other Enterprise Funds | Total | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | | | |
| Operating income (loss) | \$ 3,888 | \$ 1,495 | \$ 1,043 | \$ (6,760) | \$ 514 | \$ 180 | \$ (514) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | | | | |
| Depreciation expense | 4,037 | 1,985 | 553 | 178 | 1,563 | 8,316 | \$ 1,342 |
| Changes in: | | | | | | | |
| Receivables: | | | | | | | |
| Accounts and unbilled usage | (127) | (39) | 179 | (183) | (37) | (207) | 96 |
| Due from other governments | - | 53 | (50) | (27) | 29 | 5 | 8 |
| Inventories | - | (1) | - | - | - | (1) | (23) |
| Accounts payable | (127) | (284) | 47 | 11 | (79) | (432) | (38) |
| Accrued liabilities | 4 | - | 25 | 6 | 22 | 57 | 413 |
| Due to other governments | (1) | (22) | (8) | (5) | - | (36) | - |
| Deposits | - | (3) | - | (3) | 2 | (4) | - |
| Landfill closure/postclosure liability | - | - | 563 | - | - | 563 | - |
| Total adjustments | <u>3,786</u> | <u>1,689</u> | <u>1,309</u> | <u>(23)</u> | <u>1,500</u> | <u>8,261</u> | <u>1,798</u> |
| Net cash flows from operating activities | <u>\$ 7,674</u> | <u>\$ 3,184</u> | <u>\$ 2,352</u> | <u>\$ (6,783)</u> | <u>\$ 2,014</u> | <u>\$ 8,441</u> | <u>\$ 1,284</u> |
| Noncash Investing, Capital, and Financing Activities: | | | | | | | |
| Contributions of fixed assets from government and others | \$ 773 | \$ 606 | \$ 46 | \$ - | \$ 1,593 | \$ 3,018 | - |

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES**

June 30, 2006
(amounts expressed in thousands)

| | <u>Agency Funds</u> |
|---------------------------------------|-------------------------|
| Assets | |
| Equity in pooled cash and investments | \$ 411 |
| Accounts receivable | 4 |
| Interest receivable | <u>7</u> |
| Total assets | <u>\$ 422</u> |
| Liabilities | |
| Accounts payable | \$ 108 |
| Accrued liabilities | 4 |
| Due to agency | <u>310</u> |
| Total liabilities | <u>\$ 422</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

1. Accounting Policies

The City of Iowa City, Iowa, (the City) was incorporated April 6, 1853, and operates under the Council/Manager form of government. The City provides a broad range of services to its citizens including general government, a mass transportation system, public safety, streets, parks, and cultural facilities. It also operates an airport, parking facilities, water treatment, wastewater treatment, stormwater collection, sanitation collection and disposal (including landfill operations), cable television, and a housing authority.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

The Reporting Entity

For financial reporting purposes, the City includes all of its funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. There were no component units required to be included.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Description of Funds

These financial statements include all funds owned or administered by the City, for which the City acts as custodian.

The City maintains its records on a modified cash basis of accounting under which only cash receipts, cash disbursements and encumbrances, investments, and bonded debt are recorded. These modified cash basis accounting records have been adjusted to the accrual or modified accrual basis, as necessary, to prepare the accompanying financial statements in accordance with GAAP.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The fund categories are governmental, proprietary, and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its “measurement focus.” The government-wide financial statements and proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Agency funds do not have a measurement focus and use the accrual basis of accounting. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except those that conflict with GASB pronouncements, in accounting and reporting for these funds.

All governmental funds are accounted for using a current financial resources measurement focus, which generally includes only current assets and current liabilities on the balance sheet. The modified accrual basis of accounting is used for these funds. Under the modified accrual basis, revenue is recognized when susceptible to accrual, which is in the period in which it becomes both available (collectible within the current period or soon thereafter to be used to pay liabilities of the current period) and measurable (the amount of the transaction can be determined). Revenue accrued includes property taxes, intergovernmental revenue, and interest earned on investments (if they are collected within 60 days after the year-end). Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

The *Employee Benefits Fund* is used to account for the employee benefits related to those employees who are paid through governmental fund types, which are funded by a separate property tax levy.

The *Community Development Block Grant Fund* accounts for revenue from the U.S. Department of Housing and Urban Development's Community Development Block Grant programs.

The *Bridge, Street, and Traffic Control Construction Fund* accounts for the construction or replacement of infrastructure fixed assets, such as streets, bridges, dams, sidewalks, and lighting systems.

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The *Wastewater Treatment Fund* is used to account for the operation and maintenance of the wastewater treatment facility and sanitary sewer system.

The *Water Fund* is used to account for the operation and maintenance of the water system.

The *Sanitation Fund* is used to account for the operation and maintenance of the solid waste collection system and landfill.

The *Housing Authority Fund* is used to account for the operations and activities of the City's low and moderate income housing assistance and public housing programs.

Additionally, the City reports internal service funds to account for goods and services provided by one department to other City departments on a cost reimbursement basis. The funds in this category are the *Equipment Maintenance Fund*, *Central Services Fund*, *Loss Reserve Fund*, and the *Information Technology Fund*.

The City also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has four fiduciary funds which are maintained as agency funds, with no attempt to create an ongoing fund balance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures and expenses, as appropriate, during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of landfill closure and postclosure care costs, total capacity of the landfill at closure, and calculation of the costs of claims incurred, but not reported.

Cash and Investments

The City maintains one primary demand deposit account through which the majority of its cash resources are processed. Substantially all investment activity is carried on by the City in an investment pool, except for those funds required to maintain their investments separately. The earnings on the pooled investments are allocated to the funds on a systematic basis. All investments are stated at fair value except for the Iowa Public Agency Investment Trust (IPAIT) which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

For the purpose of the Statement of Cash Flows, restricted and nonrestricted investments with a maturity of three months or less when purchased are considered cash equivalents.

Receivables and Revenue Recognition

Property tax receivable is recognized in governmental funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Federal and state grants, primarily capital grants, are recorded as receivables and the revenue is recognized during the period in which the City fulfills the requirements for receiving the grant awards, as long as the susceptible to accrual criteria are met.

Income from investments in all fund types and from charges for services in proprietary fund types is recognized when earned. Licenses and permits, fines and forfeitures, fees and refunds, charges for services (in governmental fund types), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Inventories

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the General Fund, Water Fund, and the Equipment Maintenance Fund. Inventories are reported at the lower of cost (first-in, first-out) or market. The costs of governmental fund type inventories are recorded as expenditures when purchased.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City follows the policy of not capitalizing an asset with an initial, individual cost of less than \$50,000 for infrastructure assets and \$5,000 for remaining assets. Such assets are recorded at original purchase cost or at fair value at the date of donation when received as donated properties.

Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Infrastructure | 3 – 100 years |
| Buildings and structures | 20 – 50 years |
| Improvements other than buildings | 15 – 50 years |
| Vehicles | 2 – 20 years |
| Other equipment | 5 – 30 years |

Bond Premiums and Discounts

Debt issued at a premium or discount is recorded net of the unamortized premium or discount. In the governmental funds, premiums and discounts are recorded entirely as other financing sources or uses in the year of issuance. In the proprietary funds and the government-wide statements, they are amortized over the life of the bonds.

Compensated Absences

Permanent City employees accumulate vacation and sick leave hours for subsequent use or for payment upon death, resignation, or retirement. The City pays its employees (except firefighters) one-half of the accumulated sick leave at the time of termination on the basis of the employee's then effective hourly base salary, provided that the dollar amount of the payment may be up to, but not exceed, the amount that an employee would be paid if the employee had terminated on June 28, 1985. Employees hired on or after June 29, 1985, are not eligible for payment of accumulated sick leave upon termination, death, or retirement.

Pensions

The provision for pension cost is recorded on the accrual basis (based on statutorily determined contribution rates), and the City's policy is to fund pension costs as they accrue.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Landfill Closing Costs

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 13).

Budgetary and Legal Appropriation and Amendment Policies

The City prepares and adopts an annual function budget, as prescribed by Iowa statutes, for all funds except internal service and agency funds. This is formalized in a separate budgetary report, the Financial Plan. This budget is adopted on or before March 15 of each year to become effective July 1, and constitutes the City's appropriation for each program and purpose specified therein until amended. The adopted budget must include the following:

- a. Expenditures for each function:
 - Public safety
 - Public works
 - Health and social services
 - Culture and recreation
 - Community and economic development
 - General government
 - Debt service
 - Capital outlay
 - Business-type
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation
- d. Transfers in and transfers out

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined, rather than at the individual fund level. Management can transfer appropriations within a function, within a fund type, and between fund types, without the approval of the governing body so long as the total budget by function area will not be exceeded. It is necessary, therefore, to aggregate the expenditures of the budgeted activities within the governmental fund types with the expenditures of the budgeted activities within the enterprise funds on a function basis, and to compare such function totals to function budgeted totals in order to demonstrate legal compliance with the budget. The City's budget for revenue focuses on the individual fund revenue rather than on aggregated fund totals.

The City formally adopts budgets for several funds that are not required by state law to be included in the annual function budget. Annual operating budgets are adopted for the internal service funds for management control purposes. Such budgets, however, are not legally required to be adopted under state statutes. These budgets are adopted and amended at the same time and in the same manner as the City's annual function budget.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

A City budget for the current fiscal year may be amended for any of the following purposes as prescribed by Iowa statute:

- a. To permit the appropriation and expenditure of unexpended, unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- c. To permit transfers between funds.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying budgetary comparison schedule. The original budget was increased by \$11.7 million in revenues and other financing sources and by \$25.4 million in expenditures and other financing uses. Appropriations as adopted or amended, and not encumbered, lapse at the end of the fiscal year.

As allowed by GASB Statement No. 41, Budgetary Comparison Schedules – Perspective Differences, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

Restricted Assets

Assets within the individual funds, which can be designated by the City Council for any use within the fund's purpose, are considered to be unrestricted assets. Assets, which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements, are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

2. Compliance and Accountability

At June 30, 2006 the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$1,855,000. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2007 to cover the capital expenditures.

3. Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance, national credit union administration, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by City Council and secured pursuant to the limitations set forth in Chapter 12C of the Code of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; Iowa Public Agency Investment Trust (IPAIT); certain registered open-end management investment companies registered with the Securities & Exchange Commission under the federal Investment Company Act of 1940; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,284,233 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2006 the City had the following investments:

| <u>Type</u> | <u>Fair Value</u> | <u>Maturity</u> |
|----------------------------|-------------------|-----------------|
| U S Agencies | \$1,454,615 | November 2006 |
| Van Kampen U S Mutual Fund | 164,115 | none |

Interest rate risk. The City's investment policy limits the investment of general and operating funds to one year, unless a temporary extension of maturities is approved by the City Council. In such cases, the average maturity of each fund's portfolio shall not exceed 397 days. Funds not identified as operating funds may be invested in instruments whose maturities do not exceed five years at the time of purchase.

Credit risk. State law limits investments to commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with rating restrictions. The City's Van Kampen investment at June 30, 2006 is rated Aaa by Moody's Investors service. The investment in Iowa Public Agency Investment Trust is not rated by Moody's Investors service as it is a state security that is backed by the full faith and credit of the issuing government and is not subject to credit risk.

Concentration of credit risk. The City investment policy limits the amount that may be invested in any one issuer to a maximum amount approved by the City Council.

The aforementioned Iowa Public Agency Investment Trust (IPAIT) and mutual funds represent investments in pools managed by others. IPAIT is a common trust established under Iowa law pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. IPAIT is registered under the Investment Company Act of 1940.

The IPAIT portfolios have followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and were registered with the Securities and Exchange Commission (SEC).

Due to legal and budgetary reasons, the general fund is assigned a portion of the investment earnings associated with other funds. These funds are the employee benefits, other shared revenue and sanitation funds.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

4. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2006, consisted of the following:

| | Advances from | | | | Total |
|-----------------------------------|------------------|-----------------------------------|-------------------|---------------------|---------------------|
| | General | Community Development Block Grant | Debt Service | Sanitation | |
| Advances to: | | | | | |
| General | \$ - | \$ - | \$ - | \$ 849,785 | \$ 849,785 |
| Community Development Block Grant | 15,574 | - | - | - | 15,574 |
| Nonmajor governmental | - | - | 247,067 | - | 247,067 |
| Housing Authority | - | 18,000 | - | - | 18,000 |
| Nonmajor enterprise | - | - | - | 1,223,571 | 1,223,571 |
| Total | <u>\$ 15,574</u> | <u>\$ 18,000</u> | <u>\$ 247,067</u> | <u>\$ 2,073,356</u> | <u>\$ 2,353,997</u> |

Interfund balances at June 30, 2006, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans, land and negative cash funding. \$1,183,532 of the \$1,223,571 advances to the Non-Major Enterprise Funds and \$720,157 of the \$849,785 advances to the General Fund are not expected to be repaid within the next year. \$237,810 of the \$247,067 advance to the Non-Major Governmental Funds is not expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year. The \$15,574 advance to the Community Development Block Grant Fund is expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Interfund transfers for the year ended June 30, 2006, consisted of the following:

| | Transfer From | | | | |
|--|---------------------|----------------------|---|---|--------------------------|
| | General | Employee Benefits | Community Development Block Grant | Bridge, Street and Traffic Control Construction | Nonmajor Governmental |
| Transfer to: | | | | | |
| General | \$ - | \$ 8,152,026 | \$ - | \$ 195,587 | \$ 4,289,637 |
| Debt service | 21,250 | - | - | - | 44,289 |
| Bridge, street and traffic control construction | - | - | - | - | 6,697,847 |
| Nonmajor governmental | 790,627 | - | - | - | 270,258 |
| Wastewater treatment | - | - | - | - | - |
| Housing | - | - | 64,959 | - | - |
| Nonmajor enterprise | 112,000 | - | - | 649,597 | 155,058 |
| Internal Service | 97,531 | - | - | - | - |
| Total transfer to | <u>\$ 1,021,408</u> | <u>\$ 8,152,026</u> | <u>\$ 64,959</u> | <u>\$ 845,184</u> | <u>\$ 11,457,089</u> |

Transfers are used to move revenues and bond proceeds from the fund that State statutes or the budget requires to collect them to the fund that the State statutes or the budget requires to expend them.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

| Transfer From | | | | | | |
|-------------------------|-------------------|-------------------|------------------|------------------------|---------------------|------------------------|
| Wastewater Treatment | Water | Sanitation | Housing | Nonmajor Enterprise | Internal Service | Total Transfer From |
| \$ - | \$ - | \$ - | \$ - | \$ 362,821 | \$ 2,500 | \$ 13,002,571 |
| - | - | - | - | - | - | 65,539 |
| 153,994 | 407,044 | - | - | 112,000 | - | 7,370,885 |
| - | - | 41,841 | 86,146 | - | - | 1,188,872 |
| - | 60,000 | - | - | - | - | 60,000 |
| - | - | - | - | - | - | 64,959 |
| - | - | - | - | - | - | 916,655 |
| 67,600 | - | 89,483 | - | - | - | 254,614 |
| <u>\$ 221,594</u> | <u>\$ 467,044</u> | <u>\$ 131,324</u> | <u>\$ 86,146</u> | <u>\$ 474,821</u> | <u>\$ 2,500</u> | <u>\$ 22,924,095</u> |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

5. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

| | <u>Beginning July 1, 2005</u> | <u>Acquisitions and Transfers</u> | <u>Disposals and Transfers</u> | <u>Balance June 30, 2006</u> |
|--|-----------------------------------|---|--|----------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 12,922,537 | \$ 46,861 | \$ - | \$ 12,969,398 |
| Construction in progress | <u>16,201,606</u> | <u>13,332,361</u> | <u>15,754,947</u> | <u>13,779,020</u> |
| Total capital assets, not being depreciated | <u>29,124,143</u> | <u>13,379,222</u> | <u>15,754,947</u> | <u>26,748,418</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 45,282,411 | 11,911,633 | 384,490 | 56,809,554 |
| Improvements other than buildings | 3,890,466 | 887,868 | - | 4,778,334 |
| Machinery and equipment | 30,791,142 | 3,210,013 | 1,591,549 | 32,409,607 |
| Infrastructure | <u>78,939,778</u> | <u>2,709,478</u> | <u>-</u> | <u>81,649,256</u> |
| Total capital assets being depreciated | <u>158,903,797</u> | <u>18,718,992</u> | <u>1,976,039</u> | <u>175,646,750</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 11,516,340 | 1,419,551 | 384,490 | 12,551,401 |
| Improvements other than buildings | 932,513 | 173,762 | - | 1,106,275 |
| Machinery and equipment | 19,670,152 | 3,263,629 | 1,551,603 | 21,382,178 |
| Infrastructure | <u>14,628,020</u> | <u>2,082,640</u> | <u>-</u> | <u>16,710,660</u> |
| Total accumulated depreciation | <u>46,747,025</u> | <u>6,939,582</u> | <u>1,936,093</u> | <u>51,750,514</u> |
| Total capital assets, being depreciated, net | <u>\$112,156,772</u> | <u>\$ 11,779,410</u> | <u>\$ 39,946</u> | <u>\$ 123,896,236</u> |
| Governmental activities capital assets, net | <u>\$141,280,915</u> | <u>\$ 25,158,632</u> | <u>\$ 15,794,893</u> | <u>\$150,644,654</u> |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

| | Beginning July 1, 2005 | Acquisitions and Transfers | Disposals and Transfers | Balance June 30, 2006 |
|---|---------------------------|----------------------------------|-------------------------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 22,288,569 | \$ 787,969 | \$ 79,500 | \$ 22,997,038 |
| Construction in progress | <u>3,252,982</u> | <u>3,942,054</u> | <u>4,003,371</u> | <u>3,191,665</u> |
| Total capital assets, not being depreciated | <u>25,541,551</u> | <u>4,730,023</u> | <u>4,082,871</u> | <u>26,188,703</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 118,625,743 | 316,053 | 300,724 | 118,641,072 |
| Improvements other than buildings | 10,147,021 | 73,934 | - | 10,220,955 |
| Machinery and equipment | 21,098,981 | 243,595 | 72,374 | 21,270,202 |
| Infrastructure | <u>158,944,944</u> | <u>4,837,932</u> | <u>-</u> | <u>163,782,876</u> |
| Total capital assets being depreciated | <u>308,816,689</u> | <u>5,471,514</u> | <u>373,098</u> | <u>313,915,105</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 31,412,533 | \$ 3,211,098 | \$ 95,403 | \$ 34,528,228 |
| Improvements other than buildings | 1,450,006 | 430,633 | - | 1,880,639 |
| Machinery and equipment | 7,762,754 | 1,126,784 | 43,552 | 8,845,986 |
| Infrastructure | <u>39,172,165</u> | <u>3,547,511</u> | <u>-</u> | <u>42,719,676</u> |
| Total accumulated depreciation | <u>79,797,458</u> | <u>8,316,026</u> | <u>138,955</u> | <u>87,974,529</u> |
| Total capital assets, being depreciated, net | <u>229,019,231</u> | <u>(2,844,512)</u> | <u>234,143</u> | <u>225,940,576</u> |
| Business-type activities capital assets, net | <u>\$254,560,782</u> | <u>\$ 1,885,511</u> | <u>\$ 4,317,014</u> | <u>\$ 252,129,279</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Governmental activities: | | | | |
| Public safety | | | | \$ 582,414 |
| Public works | | | | 2,644,912 |
| Culture and recreation | | | | 1,980,292 |
| Community and economic development | | | | 37,619 |
| General government | | | | 338,572 |
| Internal service funds | | | | <u>1,355,773</u> |
| Total depreciation expense – governmental activities | | | | <u>\$ 6,939,582</u> |
| Business-type activities: | | | | |
| Wastewater treatment | | | | \$ 4,036,633 |
| Water | | | | 1,984,988 |
| Sanitation | | | | 553,206 |
| Housing authority | | | | 178,325 |
| Nonmajor enterprise | | | | <u>1,562,876</u> |
| Total depreciation expense – business-type activities | | | | <u>\$ 8,316,026</u> |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

6. Bonded and Other Long-Term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

| | July 1, 2005 | Issues | Retirements | June 30, 2006 | Due Within One Year |
|---------------------------|----------------------|---------------------|---------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 77,015,377 | \$ 7,265,000 | \$ 6,099,222 | \$ 78,181,155 | \$ 6,700,525 |
| Plus: Unamortized | | | | | |
| Premium (discount) | <u>90,026</u> | <u>29,843</u> | <u>14,223</u> | <u>105,646</u> | <u>14,223</u> |
| Total general | | | | | |
| obligation bonds | <u>77,105,403</u> | <u>7,294,843</u> | <u>6,113,445</u> | <u>78,286,801</u> | <u>6,714,748</u> |
| Note payable | <u>211,000</u> | <u>-</u> | <u>-</u> | <u>211,000</u> | <u>-</u> |
| Employee vested benefits | <u>1,805,610</u> | <u>952,046</u> | <u>922,823</u> | <u>1,834,833</u> | <u>955,000</u> |
| | <u>\$ 79,122,013</u> | <u>\$ 8,246,889</u> | <u>\$ 7,036,268</u> | <u>\$ 80,332,634</u> | <u>\$ 7,669,748</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 8,274,623 | \$ - | \$ 1,395,778 | \$ 6,878,845 | \$ 1,429,475 |
| Less: Unamortized | | | | | |
| discounts | <u>71,626</u> | <u>-</u> | <u>6,609</u> | <u>65,017</u> | <u>6,609</u> |
| Total general | | | | | |
| obligation bonds | <u>8,202,997</u> | <u>-</u> | <u>1,389,169</u> | <u>6,813,828</u> | <u>1,422,866</u> |
| Revenue bonds | <u>110,930,000</u> | <u>-</u> | <u>5,015,000</u> | <u>105,915,000</u> | <u>5,155,000</u> |
| Less: Unamortized | | | | | |
| discounts | <u>1,011,761</u> | <u>-</u> | <u>72,049</u> | <u>939,712</u> | <u>72,049</u> |
| Total revenue bonds | <u>109,918,239</u> | <u>-</u> | <u>4,942,951</u> | <u>104,975,288</u> | <u>5,082,951</u> |
| Landfill closure/post- | | | | | |
| closure | <u>8,425,488</u> | <u>562,189</u> | <u>-</u> | <u>8,987,677</u> | <u>-</u> |
| Employee vested benefits | <u>420,553</u> | <u>259,957</u> | <u>217,920</u> | <u>462,590</u> | <u>241,358</u> |
| | <u>\$126,967,277</u> | <u>\$ 822,146</u> | <u>\$ 6,550,040</u> | <u>\$ 121,239,383</u> | <u>\$ 6,747,175</u> |

A note payable was issued to Greater Iowa City Housing Fellowship for the purchase of an 11 unit apartment building for low income and disabled housing in the Peninsula Neighborhood. The terms of the loan are 1%, interest only payments for twenty years with a final balloon payment of \$211,000 due on August 1, 2025.

For the governmental activities, employee vested benefits are generally liquidated by the General Fund and Community Development Block Grant Fund.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

General Obligation Bonds

Various issues of general obligation bonds totaling \$85,060,000 are outstanding as of June 30, 2006. The bonds have interest rates ranging from 2.5% to 5.6% and mature in varying annual amounts ranging from \$275,000 to \$2,195,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

Portions of several general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds that are expected to be paid by enterprise funds is included in those funds.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Fiscal Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|-------------------------------|-------------------------|----------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2007 | 6,700,525 | 3,464,538 | 1,429,475 | 284,314 |
| 2008 | 6,578,235 | 3,222,276 | 561,765 | 238,554 |
| 2009 | 6,763,235 | 2,956,142 | 561,765 | 216,001 |
| 2010 | 6,889,538 | 2,680,499 | 580,462 | 192,794 |
| 2011 | 7,130,840 | 2,392,733 | 599,160 | 168,127 |
| 2012-2016 | 30,458,782 | 7,491,633 | 2,846,218 | 435,674 |
| 2017-2021 | 12,375,000 | 2,021,571 | 300,000 | 15,000 |
| 2022-2026 | 1,285,000 | 104,405 | - | - |
| Total | <u>\$ 78,181,155</u> | <u>\$ 24,333,797</u> | <u>\$ 6,878,845</u> | <u>\$ 1,550,464</u> |

Revenue Bonds

As of June 30, 2006, the following unmatured revenue bond issues are outstanding:

| | Parking | Wastewater Treatment | Water |
|-----------------------|---------------|-------------------------|---------------|
| Original issue amount | \$ 13,850,000 | \$ 83,935,000 | \$ 30,700,000 |
| Interest rates | 5.9% to 7.4% | 3.5% to 5.8% | 2.0% to 5.6% |
| Annual maturities | \$ 305,000 to | \$ 270,000 to | \$ 245,000 to |
| | \$ 895,000 | \$ 3,010,000 | \$ 910,000 |
| Amount outstanding | \$ 10,725,000 | \$ 68,485,000 | \$ 26,705,000 |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Revenue bond debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Business-type Activities | |
|-------------------------------|--------------------------|----------------------|
| | Principal | Interest |
| 2007 | 5,155,000 | 5,128,064 |
| 2008 | 5,415,000 | 4,905,893 |
| 2009 | 5,625,000 | 4,668,765 |
| 2010 | 5,875,000 | 4,413,216 |
| 2011 | 6,195,000 | 4,139,939 |
| 2012-2016 | 28,725,000 | 16,432,893 |
| 2017-2021 | 31,470,000 | 9,078,823 |
| 2022-2026 | 17,455,000 | 1,966,613 |
| | <u>\$ 105,915,000</u> | <u>\$ 50,734,206</u> |

The revenue bond ordinances required that wastewater treatment, parking system, and water revenues be set aside into separate and special accounts as they are received. The use and the amounts to be included in the accounts are as follows:

| Account | Amount |
|---|---|
| (a) Revenue Bond and Interest Sinking Reserve | Amount sufficient to pay current bond and interest maturities. |
| (b) Revenue Debt Service Reserve | Amount required to be deposited in the Revenue Bond and Interest Reserve until the reserve fund equals: Parking Revenue and Water Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue bonds – 125% of the average principal and interest payments over the life of all the Wastewater Revenue bonds. |
| (c) Improvement Reserve | \$20,000 per month until the reserve balance equals or exceeds \$2,000,000 for Wastewater Revenue bonds, \$5,000 per month until the reserve balance equals or exceeds \$300,000 for Parking Revenue bonds and \$450,000 for Water Revenue bonds, with no further deposits once the minimum balance is reached. If the reserve falls below the required minimum, monthly transfers in the aforementioned amounts will resume. |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2006, are comprised of the following issues:

| | <u>Date of Issue</u> | <u>Amount Issued</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Outstanding June 30, 2006</u> |
|---|--------------------------|--------------------------|---------------------------|---------------------------|--------------------------------------|
| General Obligation Bonds: | | | | | |
| Multi-Purpose | Mar. 1997 | \$5,200,000 | 4.5 – 4.7 | 6/07 | \$500,000 |
| Water Construction (1) | Nov. 1997 | 5,540,000 | 4.875 – 5.0 | 6/17 | 3,300,000 |
| Multi-Purpose | Apr. 1998 | 8,500,000 | 4.35 – 4.75 | 6/13 | 3,900,000 |
| Multi-Purpose | Mar. 1999 | 9,000,000 | 4.125 – 4.7 | 6/18 | 5,700,000 |
| Multi-Purpose | Jul. 2000 | 14,310,000 | 5.0 – 5.5 | 6/18 | 10,965,000 |
| Multi-Purpose | Jun. 2001 | 11,500,000 | 4.0 – 4.9 | 6/16 | 8,150,000 |
| Multi-Purpose and Library Construction | May 2002 | 29,100,000 | 3.5 – 5.0 | 6/21 | 22,495,000 |
| Refunded Multi-Purpose (3) | Oct. 2002 | 10,600,000 | 2.5 – 4.0 | 6/15 | 4,580,000 |
| Multi-Purpose | Nov. 2003 | 5,570,000 | 2.5 – 3.6 | 6/14 | 4,450,000 |
| Taxable – Urban Renewal | Mar. 2004 | 7,305,000 | 4.0 – 5.4 | 6/23 | 7,305,000 |
| Multi-Purpose | Mar. 2005 | 7,020,000 | 3.0 – 4.0 | 6/15 | 6,450,000 |
| Multi-Purpose | Jun. 2006 | 6,265,000 | 3.625-4.0 | 6/16 | 6,265,000 |
| Multi-Purpose | Jun. 2006 | 1,000,000 | 5.5 – 5.6 | 6/16 | <u>1,000,000</u> |
| Total General Obligation Bonds | | | | | <u>85,060,000</u> |

| | <u>Date of Issue</u> | <u>Amount Issued</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Outstanding June 30, 2006</u> |
|--|--------------------------|--------------------------|---------------------------|---------------------------|--------------------------------------|
| Revenue Bonds: | | | | | |
| Parking Bonds | Dec. 1999 | \$ 11,350,000 | 5.875 – 6.0 | 7/24 | \$10,725,000 |
| Wastewater Treatment Bonds | Mar. 1996 | 18,300,000 | 5.0 – 5.75 | 7/21 | 14,500,000 |
| Wastewater Treatment Bonds | May 1997 | 10,600,000 | 5.15 – 5.5 | 7/22 | 8,575,000 |
| Wastewater Treatment Bonds | Jan. 1999 | 7,000,000 | 4.25 – 4.87 | 7/24 | 5,470,000 |
| Wastewater Treatment Bonds | Oct. 2000 | 12,000,000 | 5.125 – 5.5 | 7/25 | 10,550,000 |
| Wastewater Treatment Bonds | Dec. 2001 | 10,250,000 | 4.5 – 5.0 | 7/20 | 10,250,000 |
| Refunded Wastewater Treatment Bonds (2) | May 2002 | 25,785,000 | 3.25 – 4.1 | 7/13 | 19,140,000 |
| Water Bonds | May 1999 | 9,200,000 | 4.75 – 5.0 | 7/25 | 7,885,000 |
| Water Bonds | Dec. 2000 | 13,000,000 | 5.0 – 5.625 | 7/26 | 11,325,000 |
| Water Bonds | Oct. 2002 | 8,500,000 | 2.0 – 4.65 | 7/22 | <u>7,495,000</u> |
| Total Revenue Bonds | | | | | <u>105,915,000</u> |

\$190,975,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

- (1) These bond issues have a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund.
- (2) This bond issue refunds the January 1993 Wastewater Revenue Bonds.
- (3) This bond issue has a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund, Wastewater Fund, and Parking Fund.

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction, and renovation of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. All payments on the bonds are made by the private sector entities directly to a bond trustee, who is a third party financial institution, and in turn, disburses the payment to the respective bond holders. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were two series of Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds outstanding, with an aggregate principal amount payable of \$44,565,000.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2006, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Assessed valuation:

| | |
|---------------|-------------------|
| Real property | \$3,682,279,290 |
| Utilities | <u>50,311,216</u> |

| | |
|-----------------|------------------------|
| Total valuation | <u>\$3,732,590,506</u> |
|-----------------|------------------------|

| | |
|--|----------------|
| Debt limit, 5% of total assessed valuation | \$ 186,629,525 |
|--|----------------|

Debt applicable to debt limit:

| | |
|--------------------------|-------------------|
| General obligation bonds | <u>85,060,000</u> |
|--------------------------|-------------------|

| | |
|-------------------|-----------------------|
| Legal debt margin | <u>\$ 101,569,525</u> |
|-------------------|-----------------------|

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

7. Segment Information

The City issued revenue bonds to finance construction of its parking facilities. Summary financial information for the parking department is presented below:

Condensed Statement of Net Assets

Assets:

| | |
|-------------------|---------------|
| Current assets | \$ 2,972 |
| Restricted assets | 1,317 |
| Capital assets | <u>18,666</u> |
| Total assets | <u>22,955</u> |

Liabilities:

| | |
|---|---------------|
| Current liabilities | 958 |
| Noncurrent liabilities payable from restricted assets | 323 |
| Other noncurrent liabilities | <u>10,308</u> |
| Total liabilities | <u>11,589</u> |

Net assets:

| | |
|---|------------------|
| Invested in capital assets, net of related debt | 8,902 |
| Restricted | 1,313 |
| Unrestricted | <u>1,151</u> |
| | <u>\$ 11,366</u> |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

| | |
|-----------------------------------|------------------|
| Operating revenue | \$ 4,018 |
| Depreciation expense | (819) |
| Other operating expenses | <u>(2,380)</u> |
| Operating income | <u>819</u> |
| Nonoperating revenues (expenses): | |
| Interest income | 143 |
| Interest expense | (656) |
| Transfer out | <u>(200)</u> |
| Change in net assets | 106 |
| Beginning net assets | <u>11,260</u> |
| Ending net assets | <u>\$ 11,366</u> |

Condensed Statement of Cash Flows

| | |
|--|-----------------|
| Net cash flows from: | |
| Operating activities | \$ 1,550 |
| Noncapital financing activities | (175) |
| Capital and related financing activities | (1,351) |
| Investing activities | <u>109</u> |
| Net increase | 133 |
| Cash and cash equivalents, beginning | <u>3,698</u> |
| Cash and cash equivalents, ending | <u>\$ 3,831</u> |

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2006 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$19,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past eight fiscal years.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2006 based on the requirements of GASB Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Loss Reserve Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2006 and 2005 are as follows:

| | Beginning-of- Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|-------------|---|---|-------------------|----------------------------------|
| 2004 – 2005 | \$ 808,000 | \$ 840,000 | \$ 534,000 | \$ 1,114,000 |
| 2005 – 2006 | 1,114,000 | 1,070,000 | 745,000 | 1,439,000 |

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$100,000 per employee with an aggregate stop-loss of \$6,393,248. For the year ended June 30, 2006, the aggregate stop-loss was approximately \$5,941,466; otherwise, there was no change in coverage from the prior year. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2006 and 2005 are as follows:

| | Beginning-of- Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year-End |
|-------------|---|---|-------------------|----------------------------------|
| 2004 – 2005 | \$ 663,000 | \$ 3,577,000 | \$ 3,851,000 | \$ 389,000 |
| 2005 – 2006 | 389,000 | 5,317,000 | 5,261,000 | 445,000 |

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

9. Contractual Commitments and Contingencies

The total outstanding contractual commitments as of June 30, 2006 are as follows:

| <u>Fund</u> | <u>Project</u> | <u>Amount</u> |
|---|---|---------------------|
| Bridge, street and traffic control construction | Paving and bridge construction, engineering design and consulting | \$ 2,835,615 |
| Other construction | Transportation center construction center | 739,970 |
| Water | Water main construction | 1,856,161 |
| Parking | Fiber interconnect, Garage Repair & Main. | 572,326 |
| Sanitation | Landfill cell construction | 459,564 |
| Airport | Runway extension consulting | 3,639 |
| Cable TV | Refranchising consulting | 44,290 |
| Economic development | Hotel construction | <u>229,531</u> |
| | | <u>\$ 6,741,096</u> |

10. Contingent Liabilities

Litigation

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees, with such lawsuits typically involving claims of improper police action, unlawful taking of property by zoning, negligence, appeals of condemnations, and discrimination. Total damages claimed are substantial; however, it has been the City's experience that such actions are settled for amounts substantially less than claimed amounts. The City's management estimates that the potential claims against the City, not covered by various insurance policies, would not materially affect the financial condition of the City. The City has the authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

11. Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing multiple-employer defined benefit public police and fire employees retirement system. All fire fighters and police officers appointed under civil service participate in the Plan. The Plan provides retirement, disability, and death benefits that are established under state statute. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322. A member may retire at age 55 with 22 years of employment, and receive full benefits that are equal to 66% of the member's average final compensation for a member retiring after July 1, 2000. Additionally, members retiring on or after July 1, 2000, with more than 22 years of service will receive an additional 2% of the member's average final compensation for up to 8 years of additional service. Other benefits are also calculated as varying percentages of the average final compensation. Benefits vest after four years of service.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2006, members contributed 9.35%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the Plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the Plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 28.21% of earnable compensation.

The City was required to contribute 28.21% of earnable compensation of each member in 2006, 24.92% of earnable compensation in 2005. The contributions paid by the City for the years ended June 30, 2004, 2005, and 2006, were \$1,335,065, \$1,750,377, and \$1,925,332 respectively, and was equal to the required contributions for each year.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

All employees, except temporary employees of six months or less of employment duration, who do not participate in any other public retirement system in the state are eligible and must participate in IPERS. The pension plan provides retirement and death benefits that are established by state statute. Generally, a member may retire at the age of 65, or any time after age 62 and 26 years or more of service, or when age plus years of service equals or exceeds 88, and receive unreduced (for age) benefits. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to 60% of the average of the highest three years of covered wages times years of service divided by 30.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2005, and 2006, were \$1,240,324, \$1,247,065, and \$1,329,784 respectively, and were equal to the required contributions for each year.

12. Post-Employment Benefits

All full-time employees who retire or become disabled are offered the following post-employment benefit options:

Health insurance – The option of continuing with the City's health insurance plan at the individual's own cost.

Life insurance – The option of converting the employee's City-paid policy from term insurance to whole life insurance at the individual's expense with the City's life insurance carrier.

Long-term disability – The option of converting the employee's City-paid group policy to a personal policy at the individual's expense with the City's long-term disability insurance carrier.

The above options, while at the individual's own expense, are included within the City's overall insurance package. Therefore, a portion of the above coverage is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and it is being expensed as incurred by the City.

13. Landfill Closure and Postclosure Care Costs

In August 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (the Statement). Under these rules, in addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year.

The estimated liability for landfill closure and postclosure care costs as of June 30, 2006, is approximately \$8,988,000, which is based on 72% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$4,513,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2019. The estimated total current cost of the landfill closure and postclosure care costs at June 30, 2006, was determined by engineers from Howard R. Green Company and approximated \$12,379,000. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2006. These amounts are based on an estimated postclosure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and postclosure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2006, the Sanitation Fund had \$9,571,691 in related equity in pooled cash and investments, at fair value designated for satisfaction of postclosure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of postclosure care costs, anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

14. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued four statements not yet implemented by the City. The statements, which might impact the City are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2006

15. Subsequent events

On September 15, 2006 the City of Iowa City received and awarded capital loan notes for General Obligation Refunding Capital Loan Notes, Series 2006C in the amount of \$3,350,000. The notes were issued to current refund, on September 22, 2006, \$3,300,000 of the City's outstanding General Obligation Bonds, Series 1997A, dated November 1, 1997.



City of Iowa City, Iowa
 Budgetary Comparison Schedule
 Budget and Actual - All Governmental Funds and Enterprise Funds - Budgetary Basis
 Required Supplementary Information
 For the Year Ended June 30, 2006
 (dollar amounts expressed in thousands)

| | Governmental Fund Types Actual Budgetary Basis | Enterprise Fund Types Actual Budgetary Basis | Total Actual Budgetary Basis |
|---|---|--|---------------------------------|
| Revenues: | | | |
| Property Tax | \$ 36,698 | \$ - | \$ 36,698 |
| Tax increment financing taxes | 976 | - | 976 |
| Other city taxes | 1,274 | - | 1,274 |
| Licenses and permits | 1,286 | 4 | 1,290 |
| Intergovernmental | 14,852 | 8,777 | 23,629 |
| Charges for services | 3,924 | 31,899 | 35,823 |
| Use of money and property | 1,694 | 2,561 | 4,255 |
| Miscellaneous | 2,645 | 1,781 | 4,426 |
| Total revenues | 63,349 | 45,022 | 108,371 |
| Expenditures/Expenses: | | | |
| Public safety | 16,187 | - | 16,187 |
| Public works | 9,625 | - | 9,625 |
| Culture and recreation | 9,450 | - | 9,450 |
| Community and economic development | 7,411 | - | 7,411 |
| General government | 6,471 | - | 6,471 |
| Debt service | 11,299 | - | 11,299 |
| Capital outlay | 12,971 | - | 12,971 |
| Business-type | - | 40,019 | 40,019 |
| Total expenditures/expenses | 73,414 | 40,019 | 113,433 |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (10,065) | 5,003 | (5,062) |
| Other financing sources, net | 10,253 | (2,588) | 7,665 |
| Net change in fund balances | 188 | 2,415 | 2,603 |
| Balances, beginning of year | 37,364 | 71,233 | 108,597 |
| Balances, end of year | 37,552 | 73,648 | 111,200 |

See Note to Required Supplementary Information.

| Budgeted Amounts | | | |
|------------------|-----------|---|--|
| Original | Final | Final to Actual Variance - Positive (Negative) | |
| \$ 36,460 | \$ 36,460 | \$ 238 | |
| 837 | 837 | 139 | |
| 1,322 | 1,385 | (111) | |
| 1,250 | 1,251 | 39 | |
| 23,166 | 26,788 | (3,159) | |
| 36,717 | 36,632 | (809) | |
| 1,806 | 2,170 | 2,085 | |
| 3,725 | 4,569 | (143) | |
| 105,283 | 110,092 | (1,721) | |
| 16,128 | 17,591 | 1,404 | |
| 9,651 | 10,800 | 1,175 | |
| 9,756 | 10,732 | 1,282 | |
| 4,907 | 8,690 | 1,279 | |
| 6,933 | 7,042 | 571 | |
| 11,436 | 11,436 | 137 | |
| 15,463 | 24,765 | 11,794 | |
| 44,616 | 46,610 | 6,591 | |
| 118,890 | 137,666 | 24,233 | |
| (13,607) | (27,574) | 22,512 | |
| 8,949 | 9,189 | (1,524) | |
| (4,658) | (18,385) | 20,988 | |
| 97,984 | 107,960 | | |
| 93,326 | 89,575 | | |

City of Iowa City, Iowa
 Budgetary Comparison Schedule
 Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2006
 (dollar amounts expressed in thousands)

| Governmental Fund Types | | | |
|--------------------------------|--------------|------------------------|---------------------------|
| | Budget Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 63,349 | \$ (193) | \$ 63,156 |
| Expenditures | 73,414 | (1,204) | 72,210 |
| Net | (10,065) | 1,011 | (9,054) |
| Other financing sources (uses) | 10,253 | (2,763) | 7,490 |
| Beginning Fund Balances | \$ 37,364 | \$ (3,847) | \$ 33,517 |
| Ending Fund Balances | \$ 37,552 | \$ (5,599) | \$ 31,953 |

| Enterprise Fund Types | | | |
|--------------------------------|--------------|------------------------|------------------|
| | Budget Basis | Accrual Adjustments | Accrual Basis |
| Revenues | \$ 45,022 | \$ (6,119) | \$ 38,903 |
| Expenditures | 40,019 | (5,835) | 34,184 |
| Net | 5,003 | (284) | 4,719 |
| Other financing sources (uses) | (2,588) | 9,986 | 7,398 |
| Beginning Fund Balances | 71,233 | \$ 129,521 | 200,754 |
| Ending Fund Balances | \$ 73,648 | \$ 139,223 | \$ 212,871 |

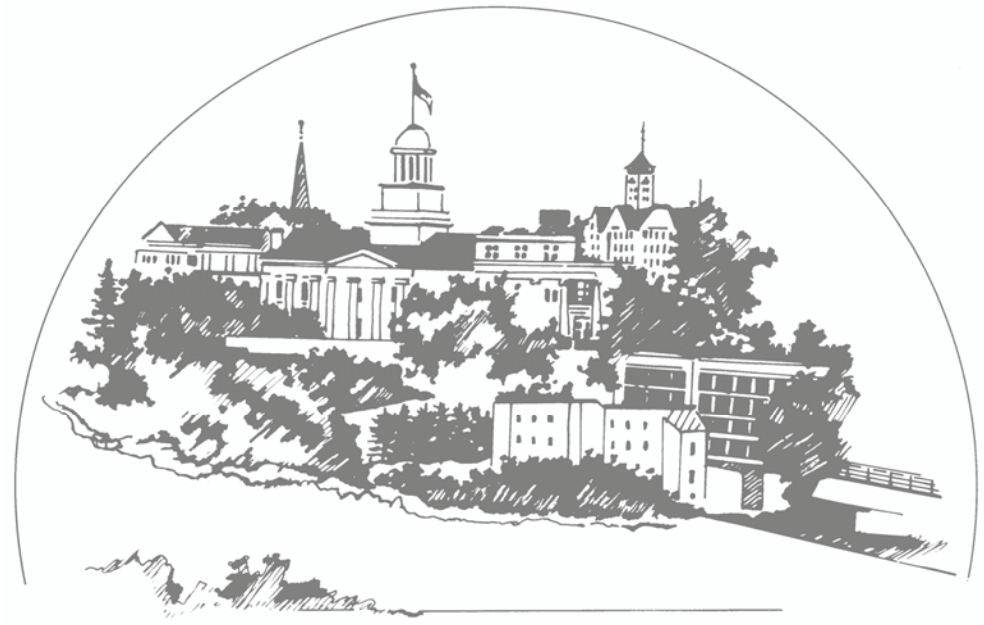
See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2006

In accordance with Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which includes all funds, except internal service funds and agency funds. The budget basis of accounting is cash basis. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level control is at the aggregated function level, not at the fund or fund type level.

During the year, budget amendments increased budgeted expenditures by \$18,776,000. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects as well as changes necessitated by emergency protective measures, clean-up costs and uninsured losses from a tornado.



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific sources that are required to be accounted for as separate funds. The funds in this category and their purpose are as follows:

Other Shared Revenue and Grants Fund – accounts for revenue from various sources, primarily road use tax monies from the State of Iowa and reimbursable programs funded by federal and state grants.

Economic Development Fund – accounts for revenue and expenditures of economic development activities.

Johnson County Council of Governments Fund – accounts for the financial activities of the metropolitan/rural cooperative planning organization.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other major fixed assets, with the exception of those that are financed by proprietary fund monies. The fund in this category is as follows:

Other Construction Fund – accounts for the construction or replacement of other City general fixed assets, such as administrative buildings with various funding sources, including general obligation bonds, intergovernmental revenues and contributions.

CITY OF IOWA CITY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2006
(amounts expressed in thousands)

| | Special Revenue | | | Capital Projects | |
|--|--|-------------------------|--|-----------------------|----------------------|
| | Other Shared Revenue and Grants | Economic Development | Johnson County Council of Governments | Other Construction | Total |
| Assets | | | | | |
| Equity in pooled cash and investments | \$ 2,568 | \$ 557 | \$ 26 | \$ 693 | \$ 3,844 |
| Receivables: | | | | | |
| Property tax | - | 1 | - | - | 1 |
| Accounts and unbilled usage | - | - | - | 3 | 3 |
| Interest | 46 | 9 | - | 48 | 103 |
| Notes | 383 | - | - | - | 383 |
| Due from other governments | 421 | - | 37 | 186 | 644 |
| Restricted assets: | | | | | |
| Equity in pooled cash and investments | 4 | - | - | 9,258 | 9,262 |
| Total assets | <u>\$ 3,422</u> | <u>\$ 567</u> | <u>\$ 63</u> | <u>\$ 10,188</u> | <u>\$ 14,240</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 6 | \$ - | \$ - | \$ 275 | \$ 281 |
| Contracts payable | - | - | - | 535 | 535 |
| Accrued liabilities | 4 | - | 17 | 1 | 22 |
| Advances from other funds | 247 | - | - | - | 247 |
| Deferred revenue | 383 | - | - | 136 | 519 |
| Total liabilities | <u>640</u> | <u>-</u> | <u>17</u> | <u>947</u> | <u>1,604</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | - | - | - | 273 | 273 |
| Unreserved | | | | | |
| Designated for future improvements | | | | 8,968 | 8,968 |
| Undesignated | 2,782 | 567 | 46 | - | 3,395 |
| Total fund balances | <u>2,782</u> | <u>567</u> | <u>46</u> | <u>9,241</u> | <u>12,636</u> |
| Total liabilities and fund balances | <u>\$ 3,422</u> | <u>\$ 567</u> | <u>\$ 63</u> | <u>\$ 10,188</u> | <u>\$ 14,240</u> |

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | Special Revenue | | | Capital Projects | |
|--|--|-------------------------|--|-----------------------|------------------|
| | Other Shared Revenue and Grants | Economic Development | Johnson County Council of Governments | Other Construction | Total |
| Revenues | | | | | |
| Property taxes | \$ - | \$ 977 | \$ - | \$ - | \$ 977 |
| Intergovernmental | 5,391 | 500 | 251 | 853 | 6,995 |
| Use of money and property | 39 | 44 | - | 224 | 307 |
| Miscellaneous | 51 | - | 48 | 221 | 320 |
| Total revenues | <u>5,481</u> | <u>1,521</u> | <u>299</u> | <u>1,298</u> | <u>8,599</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | 17 | 17 |
| Public works | 2 | - | - | 72 | 74 |
| Culture and recreation | | | | 217 | 217 |
| Community and economic development | 144 | 2,562 | 588 | 76 | 3,370 |
| General government | | | | 87 | 87 |
| Capital outlay | 104 | - | 7 | 2,538 | 2,649 |
| Total expenditures | <u>250</u> | <u>2,562</u> | <u>595</u> | <u>3,007</u> | <u>6,414</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,231</u> | <u>(1,041)</u> | <u>(296)</u> | <u>(1,709)</u> | <u>2,185</u> |
| Other Financing Sources (Uses) | | | | | |
| Issuance of bonds | - | - | - | 6,265 | 6,265 |
| Premium (discount) on issuance of bonds | - | - | - | 35 | 35 |
| Transfers in | 228 | - | 294 | 667 | 1,189 |
| Transfers out | (7,195) | - | - | (4,262) | (11,457) |
| Total other financing sources and (uses) | <u>(6,967)</u> | <u>-</u> | <u>294</u> | <u>2,705</u> | <u>(3,968)</u> |
| Net change in fund balances | (1,736) | (1,041) | (2) | 996 | (1,783) |
| Fund Balances, Beginning | <u>4,518</u> | <u>1,608</u> | <u>48</u> | <u>8,245</u> | <u>14,419</u> |
| Fund Balances, Ending | <u>\$ 2,782</u> | <u>\$ 567</u> | <u>\$ 46</u> | <u>\$ 9,241</u> | <u>\$ 12,636</u> |



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations and activities of the City that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds in this category are as follows:

Parking Fund – accounts for the operation and maintenance of the “on” and “off” street public parking facilities.

Airport Fund – accounts for the operation and maintenance of the airport facility.

Stormwater Fund – accounts for the operation and maintenance of the stormwater operation.

Cable Television Fund – accounts for the operation and maintenance of the Broadband Telecommunications Commission that oversees the franchise agreement with the cable television company, including production and broadcasting on the government television channels.

CITY OF IOWA CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

June 30, 2006
(amounts expressed in thousands)

| | <u>Parking</u> | <u>Airport</u> | <u>Stormwater</u> | <u>Cable Television</u> | <u>Total</u> |
|--|------------------|------------------|-------------------|-----------------------------|------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Equity in pooled cash and investments | \$ 2,514 | \$ 78 | \$ 767 | \$ 862 | \$ 4,221 |
| Receivables: | | | | | |
| Accounts and unbilled usage | 152 | - | 65 | 164 | 381 |
| Interest | 81 | 2 | 11 | 12 | 106 |
| Notes | 225 | - | - | - | 225 |
| Due from other governments | - | 88 | - | - | 88 |
| Total current assets | <u>2,972</u> | <u>168</u> | <u>843</u> | <u>1,038</u> | <u>5,021</u> |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Equity in pooled cash and investments | 1,317 | 7 | - | - | 1,324 |
| Capital assets: | | | | | |
| Land | 3,938 | 8,034 | 2,130 | - | 14,102 |
| Buildings | 25,039 | 3,494 | - | 741 | 29,274 |
| Improvements other than buildings | - | 408 | - | - | 408 |
| Machinery and equipment | 404 | 184 | 127 | 106 | 821 |
| Infrastructure | - | 1,860 | 28,874 | - | 30,734 |
| Accumulated depreciation | (10,857) | (2,981) | (5,004) | (206) | (19,048) |
| Construction in progress | 142 | 1,489 | - | - | 1,631 |
| Total noncurrent assets | <u>19,983</u> | <u>12,495</u> | <u>26,127</u> | <u>641</u> | <u>59,246</u> |
| Total assets | <u>22,955</u> | <u>12,663</u> | <u>26,970</u> | <u>1,679</u> | <u>64,267</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 37 | 15 | 2 | 1 | 55 |
| Contracts payable | 144 | 49 | - | - | 193 |
| Accrued liabilities | 132 | 8 | 6 | 46 | 192 |
| Advances from other funds | - | 1,224 | - | - | 1,224 |
| Bonded debt payable (net of unamortized discounts) | 645 | - | - | - | 645 |
| Total current liabilities | <u>958</u> | <u>1,296</u> | <u>8</u> | <u>47</u> | <u>2,309</u> |
| Noncurrent liabilities: | | | | | |
| Liabilities payable from restricted assets: | | | | | |
| Interest payable | 319 | - | - | - | 319 |
| Deposits | 4 | 9 | - | - | 13 |
| Bonded debt payable (net of unamortized discounts) | 10,308 | - | - | - | 10,308 |
| Total noncurrent liabilities | <u>10,631</u> | <u>9</u> | <u>-</u> | <u>-</u> | <u>10,640</u> |
| Total liabilities | <u>11,589</u> | <u>1,305</u> | <u>8</u> | <u>47</u> | <u>12,949</u> |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 8,902 | 12,488 | 26,127 | 641 | 48,158 |
| Restricted by bond ordinance | 1,271 | - | - | - | 1,271 |
| Restricted for future improvements | 42 | - | - | - | 42 |
| Unrestricted | 1,151 | (1,130) | 835 | 991 | 1,847 |
| Total net assets | <u>\$ 11,366</u> | <u>\$ 11,358</u> | <u>\$ 26,962</u> | <u>\$ 1,632</u> | <u>\$ 51,318</u> |

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | <u>Parking</u> | <u>Airport</u> | <u>Stormwater</u> | <u>Cable Television</u> | <u>Total</u> |
|--|------------------|------------------|-------------------|-----------------------------|------------------|
| Operating Revenues: | | | | | |
| Charges for services | \$ 3,936 | \$ 264 | \$ 597 | \$ 718 | \$ 5,515 |
| Miscellaneous | <u>82</u> | <u>9</u> | <u>1</u> | <u>1</u> | <u>93</u> |
| Total operating revenues | <u>4,018</u> | <u>273</u> | <u>598</u> | <u>719</u> | <u>5,608</u> |
| Operating Expenses: | | | | | |
| Personal services | 1,499 | 69 | 116 | 432 | 2,116 |
| Commodities | 101 | 59 | 20 | 19 | 199 |
| Services and charges | <u>780</u> | <u>218</u> | <u>136</u> | <u>82</u> | <u>1,216</u> |
| | 2,380 | 346 | 272 | 533 | 3,531 |
| Depreciation | <u>819</u> | <u>162</u> | <u>545</u> | <u>37</u> | <u>1,563</u> |
| Total operating expenses | <u>3,199</u> | <u>508</u> | <u>817</u> | <u>570</u> | <u>5,094</u> |
| Operating income (loss) | <u>819</u> | <u>(235)</u> | <u>(219)</u> | <u>149</u> | <u>514</u> |
| Nonoperating Revenues (Expenses): | | | | | |
| Gain on disposal of equipment | - | 13 | - | - | 13 |
| Interest income | 143 | 3 | 27 | 31 | 204 |
| Interest expense | <u>(656)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(656)</u> |
| Total nonoperating revenues (expenses) | <u>(513)</u> | <u>16</u> | <u>27</u> | <u>31</u> | <u>(439)</u> |
| Income (loss) before transfers | 306 | (219) | (192) | 180 | 75 |
| Capital contributions | - | 1,125 | 468 | - | 1,593 |
| Transfers in | - | 243 | 674 | - | 917 |
| Transfers out | <u>(200)</u> | <u>-</u> | <u>(112)</u> | <u>(163)</u> | <u>(475)</u> |
| Change in net assets | 106 | 1,149 | 838 | 17 | 2,110 |
| Net Assets, Beginning | <u>11,260</u> | <u>10,209</u> | <u>26,124</u> | <u>1,615</u> | <u>49,208</u> |
| Net Assets, Ending | <u>\$ 11,366</u> | <u>\$ 11,358</u> | <u>\$ 26,962</u> | <u>\$ 1,632</u> | <u>\$ 51,318</u> |

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | <u>Parking</u> | <u>Airport</u> | <u>Stormwater</u> | <u>Cable Television</u> | <u>Total</u> |
|---|-----------------|----------------|-------------------|-----------------------------|-----------------|
| Cash Flows From Operating Activities | | | | | |
| Receipts from customers and users | \$ 3,989 | \$ 302 | \$ 592 | \$ 719 | \$ 5,602 |
| Payments to suppliers | (955) | (270) | (166) | (103) | (1,494) |
| Payments to employees | (1,484) | (68) | (116) | (426) | (2,094) |
| Net cash flows from operating activities | <u>1,550</u> | <u>(36)</u> | <u>310</u> | <u>190</u> | <u>2,014</u> |
| Cash Flows From Noncapital Financing Activities | | | | | |
| Transfers from other funds | - | 243 | 674 | - | 917 |
| Transfers to other funds | (200) | - | (112) | (163) | (475) |
| Repayment of advances from other funds | - | (35) | - | - | (35) |
| Repayment of notes receivable | 25 | - | - | - | 25 |
| Net cash flows from noncapital financing activities | <u>(175)</u> | <u>208</u> | <u>562</u> | <u>(163)</u> | <u>432</u> |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Capital grants received | - | 1,125 | - | - | 1,125 |
| Acquisition and construction of property and equipment | (74) | (1,255) | (654) | (2) | (1,985) |
| Proceeds from sale of property | - | 13 | - | - | 13 |
| Principal paid on bonded debt | (616) | - | - | - | (616) |
| Interest paid on bonded debt | (661) | - | - | - | (661) |
| Net cash flows from capital and related financing activities | <u>(1,351)</u> | <u>(117)</u> | <u>(654)</u> | <u>(2)</u> | <u>(2,124)</u> |
| Cash Flows From Investing Activities | | | | | |
| Interest on investments | <u>109</u> | <u>2</u> | <u>21</u> | <u>27</u> | <u>159</u> |
| Net increase (decrease) in cash and cash equivalents | 133 | 57 | 239 | 52 | 481 |
| Cash and Cash Equivalents, Beginning | <u>3,698</u> | <u>28</u> | <u>528</u> | <u>810</u> | <u>5,064</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 3,831</u> | <u>\$ 85</u> | <u>\$ 767</u> | <u>\$ 862</u> | <u>\$ 5,545</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ 819 | \$ (235) | \$ (219) | \$ 149 | \$ 514 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | | |
| Depreciation expense | 819 | 162 | 545 | 37 | 1,563 |
| Changes in: | | | | | |
| Receivables: | | | | | |
| Accounts and unbilled usage | (31) | - | (6) | - | (37) |
| Due from other governments | - | 29 | - | - | 29 |
| Accounts payable | (74) | 7 | (10) | (2) | (79) |
| Accrued liabilities | 15 | 1 | - | 6 | 22 |
| Deposits | 2 | - | - | - | 2 |
| Total adjustments | <u>731</u> | <u>199</u> | <u>529</u> | <u>41</u> | <u>1,500</u> |
| Net cash flows from operating activities | <u>\$ 1,550</u> | <u>\$ (36)</u> | <u>\$ 310</u> | <u>\$ 190</u> | <u>\$ 2,014</u> |
| Noncash Investing, Capital, and Financing Activities: | | | | | |
| Contributions of capital assets from government and others | \$ - | \$ 1,125 | \$ 468 | \$ - | \$ 1,593 |

INTERNAL SERVICE FUNDS

Internal Service Funds account for goods and services provided by one department to other City departments on a cost-reimbursement basis. The funds in this category are:

Equipment Maintenance Fund – accounts for the provision of maintenance for City vehicles and equipment and vehicle rental to other City departments from a central vehicle pool.

Central Services Fund – accounts for the support services of photocopying, paper supplies, mail, overnight shipping, and two-way radios provided to other City departments.

Loss Reserve Fund – accounts for the property, liability, Workers' Compensation and health insurance premiums and claims activity for City departments, including the self-insured retention portion.

Information Technology Fund – accounts for the accumulation and allocation of costs associated with telecommunications and data processing, including the operation and replacement of equipment.

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

June 30, 2006
(amounts expressed in thousands)

| | <u>Equipment Maintenance</u> | <u>Central Services</u> | <u>Loss Reserve</u> | <u>Information Technology</u> | <u>Total</u> |
|---|----------------------------------|-----------------------------|-------------------------|-----------------------------------|------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Equity in pooled cash and investments | \$ 4,311 | \$ 369 | \$ 5,067 | \$ 2,253 | \$ 12,000 |
| Receivables: | | | | | |
| Interest | 66 | 6 | 83 | 37 | 192 |
| Due from other governments | 38 | - | - | - | 38 |
| Inventories | 263 | - | - | - | 263 |
| Total current assets | <u>4,678</u> | <u>375</u> | <u>5,150</u> | <u>2,290</u> | <u>12,493</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Land | 45 | - | - | - | 45 |
| Buildings | 578 | - | - | 253 | 831 |
| Improvements other than buildings | 50 | - | - | - | 50 |
| Machinery and equipment | 10,568 | 264 | - | 1,361 | 12,193 |
| Infrastructure | - | - | - | 940 | 940 |
| Accumulated depreciation | (6,897) | (170) | - | (1,121) | (8,188) |
| Total noncurrent assets | <u>4,344</u> | <u>94</u> | <u>-</u> | <u>1,433</u> | <u>5,871</u> |
| Total assets | <u>9,022</u> | <u>469</u> | <u>5,150</u> | <u>3,723</u> | <u>18,364</u> |
| Liabilities | | | | | |
| Accounts payable | 123 | 6 | 521 | 19 | 669 |
| Accrued liabilities | 88 | 2 | 1,895 | 64 | 2,049 |
| Total liabilities | <u>211</u> | <u>8</u> | <u>2,416</u> | <u>83</u> | <u>2,718</u> |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 4,344 | 94 | - | 1,433 | 5,871 |
| Unrestricted | <u>4,467</u> | <u>367</u> | <u>2,734</u> | <u>2,207</u> | <u>9,775</u> |
| Total net assets | <u>\$ 8,811</u> | <u>\$ 461</u> | <u>\$ 2,734</u> | <u>\$ 3,640</u> | <u>\$ 15,646</u> |

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | <u>Equipment Maintenance</u> | <u>Central Services</u> | <u>Loss Reserve</u> | <u>Information Technology</u> | <u>Total</u> |
|--|----------------------------------|-----------------------------|-------------------------|-----------------------------------|------------------|
| Operating Revenues: | | | | | |
| Charges for services | \$ 3,615 | \$ 286 | \$ 6,837 | \$ 1,689 | \$ 12,427 |
| Total operating revenues | <u>3,615</u> | <u>286</u> | <u>6,837</u> | <u>1,689</u> | <u>12,427</u> |
| Operating Expenses: | | | | | |
| Personal services | 736 | 31 | 197 | 669 | 1,633 |
| Commodities | 1,483 | 15 | 60 | 342 | 1,900 |
| Services and charges | <u>247</u> | <u>204</u> | <u>7,082</u> | <u>533</u> | <u>8,066</u> |
| | 2,466 | 250 | 7,339 | 1,544 | 11,599 |
| Depreciation | <u>1,074</u> | <u>34</u> | <u>-</u> | <u>234</u> | <u>1,342</u> |
| Total operating expenses | <u>3,540</u> | <u>284</u> | <u>7,339</u> | <u>1,778</u> | <u>12,941</u> |
| Operating income (loss) | <u>75</u> | <u>2</u> | <u>(502)</u> | <u>(89)</u> | <u>(514)</u> |
| Nonoperating Revenues (Expenses): | | | | | |
| Gain on disposal of equipment | 60 | - | - | 4 | 64 |
| Interest income | <u>161</u> | <u>15</u> | <u>201</u> | <u>102</u> | <u>479</u> |
| Total nonoperating revenues | <u>221</u> | <u>15</u> | <u>201</u> | <u>106</u> | <u>543</u> |
| Income before capital contributions | | | | | |
| Income before transfers | 296 | 17 | (301) | 17 | 29 |
| Transfers in | 254 | - | - | 1 | 255 |
| Transfers out | <u>(3)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3)</u> |
| Change in net assets | 547 | 17 | (301) | 18 | 281 |
| Net Assets, Beginning | <u>8,264</u> | <u>444</u> | <u>3,035</u> | <u>3,622</u> | <u>15,365</u> |
| Net Assets, Ending | <u>\$ 8,811</u> | <u>\$ 461</u> | <u>\$ 2,734</u> | <u>\$ 3,640</u> | <u>\$ 15,646</u> |

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | Equipment Maintenance | Central Services | Loss Reserve | Information Technology | Total |
|---|--------------------------|---------------------|-----------------|---------------------------|------------------|
| Cash Flows From Operating Activities | | | | | |
| Receipts from customers and users | \$ 3,623 | \$ 286 | \$ 6,933 | \$ 1,689 | \$ 12,531 |
| Payments to suppliers | (1,818) | (215) | (7,085) | (909) | (10,027) |
| Payments to employees | (723) | (31) | 189 | (655) | (1,220) |
| Net cash flows from operating activities | <u>1,082</u> | <u>40</u> | <u>37</u> | <u>125</u> | <u>1,284</u> |
| Cash Flows From Noncapital Financing Activities | | | | | |
| Transfers from other funds | 254 | - | - | 1 | 255 |
| Operating transfers to other funds | (3) | - | - | - | (3) |
| Net cash flows from noncapital financing activities | <u>251</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>252</u> |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Acquisition and construction of property and equipment | (918) | (12) | - | (18) | (948) |
| Proceeds from sale of property | 60 | - | - | 4 | 64 |
| Net cash flows from capital and related financing activities | <u>(858)</u> | <u>(12)</u> | <u>-</u> | <u>(14)</u> | <u>(884)</u> |
| Cash Flows From Investing Activities | | | | | |
| Interest on investments | <u>137</u> | <u>12</u> | <u>166</u> | <u>89</u> | <u>404</u> |
| Net increase in cash and cash equivalents | 612 | 40 | 203 | 201 | 1,056 |
| Cash and Cash Equivalents, Beginning | <u>3,699</u> | <u>329</u> | <u>4,864</u> | <u>2,052</u> | <u>10,944</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 4,311</u> | <u>\$ 369</u> | <u>\$ 5,067</u> | <u>\$ 2,253</u> | <u>\$ 12,000</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ 75 | \$ 2 | \$ (502) | \$ (89) | \$ (514) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | | |
| Depreciation expense | 1,074 | 34 | - | 234 | 1,342 |
| Changes in: | | | | | |
| Receivables: | | | | | |
| Accounts and unbilled usage | - | - | 96 | - | 96 |
| Due from other governments | 8 | - | - | - | 8 |
| Inventories | (23) | - | - | - | (23) |
| Accounts payable | (65) | 4 | 57 | (34) | (38) |
| Accrued liabilities | 13 | - | 386 | 14 | 413 |
| Total adjustments | <u>1,007</u> | <u>38</u> | <u>539</u> | <u>214</u> | <u>1,798</u> |
| Net cash flows from operating activities | <u>\$ 1,082</u> | <u>\$ 40</u> | <u>\$ 37</u> | <u>\$ 125</u> | <u>\$ 1,284</u> |

AGENCY FUNDS

The Agency Funds account for assets held by the City in a trustee or custodial capacity for other entities, such as individuals, private organizations, or other governmental units. The funds in this category are:

Project Green Fund – accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City.

Library Foundation – accounts for donations that are made to support the library development office.

Parks and Recreation Foundation – accounts for donations that are received for park improvements.

PATV – accounts for investments made on behalf of Public Access Television.

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | Balance July 1, 2005 | Increases | Decreases | Balance June 30, 2006 |
|--|-------------------------|---------------|--------------|--------------------------|
| Project Green | | | | |
| Assets | | | | |
| Equity in pooled cash and investments | \$ 203 | \$ 99 | \$ 61 | \$ 241 |
| Interest receivable | <u>2</u> | <u>4</u> | <u>2</u> | <u>4</u> |
| Total assets | <u>\$ 205</u> | <u>\$ 103</u> | <u>\$ 63</u> | <u>\$ 245</u> |
| Liabilities | | | | |
| Accounts payable | \$ 6 | \$ 54 | \$ 6 | \$ 54 |
| Due to agency | <u>199</u> | <u>49</u> | <u>57</u> | <u>191</u> |
| Total liabilities | <u>\$ 205</u> | <u>\$ 103</u> | <u>\$ 63</u> | <u>\$ 245</u> |
| Library Foundation | | | | |
| Assets | | | | |
| Equity in pooled cash and investments | \$ - | \$ 2 | \$ - | \$ 2 |
| Accounts receivable | <u>16</u> | <u>4</u> | <u>16</u> | <u>4</u> |
| | <u>\$ 16</u> | <u>\$ 6</u> | <u>\$ 16</u> | <u>\$ 6</u> |
| Liabilities | | | | |
| Accounts payable | \$ 12 | \$ 1 | \$ 12 | \$ 1 |
| Accrued liabilities | 3 | 4 | 3 | 4 |
| Due to agency | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |
| Total liabilities | <u>\$ 16</u> | <u>\$ 6</u> | <u>\$ 16</u> | <u>\$ 6</u> |
| Parks and Recreation Foundation | | | | |
| Assets | | | | |
| Equity in pooled cash and investments | \$ 51 | \$ 1 | \$ - | \$ 52 |
| Interest receivable | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 1</u> |
| Total assets | <u>\$ 51</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 53</u> |
| Liabilities | | | | |
| Accounts payable | <u>\$ 51</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ 53</u> |

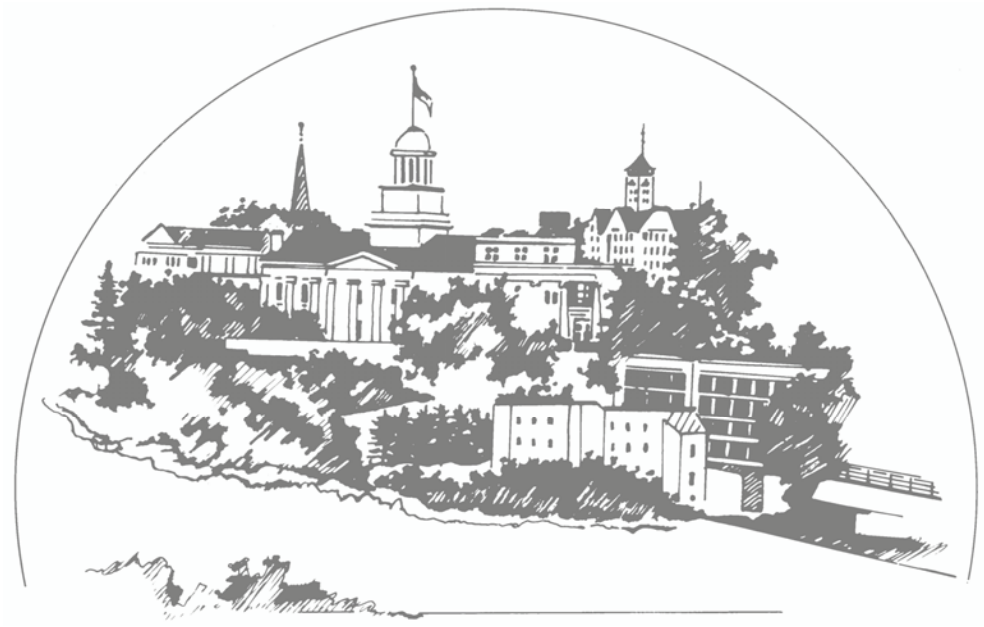
(continued)

CITY OF IOWA CITY, IOWA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS

For the Year Ended June 30, 2006
(amounts expressed in thousands)

| | <u>Balance</u> <u>July 1, 2005</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2006</u> |
|---------------------------------------|---------------------------------------|------------------|------------------|--|
| PATV | | | | |
| Assets | | | | |
| Equity in pooled cash and investments | \$ 99 | \$ 115 | \$ 98 | \$ 116 |
| Interest receivable | <u>1</u> | <u>2</u> | <u>1</u> | <u>2</u> |
| | <u>\$ 100</u> | <u>\$ 117</u> | <u>\$ 99</u> | <u>\$ 118</u> |
| Liabilities | | | | |
| Due to agency | <u>\$ 100</u> | <u>\$ 117</u> | <u>\$ 99</u> | <u>\$ 118</u> |
| Total Agency Funds | | | | |
| Assets | | | | |
| Equity in pooled cash and investments | \$ 353 | \$ 217 | \$ 159 | \$ 411 |
| Accounts receivable | 16 | 4 | 16 | 4 |
| Interest receivable | <u>3</u> | <u>7</u> | <u>3</u> | <u>7</u> |
| Total assets | <u>\$ 372</u> | <u>\$ 228</u> | <u>\$ 178</u> | <u>\$ 422</u> |
| Liabilities | | | | |
| Accounts payable | \$ 69 | \$ 57 | \$ 18 | \$ 108 |
| Accrued liabilities | 3 | 4 | 3 | 4 |
| Due to agency | <u>300</u> | <u>167</u> | <u>157</u> | <u>310</u> |
| Total liabilities | <u>\$ 372</u> | <u>\$ 228</u> | <u>\$ 178</u> | <u>\$ 422</u> |

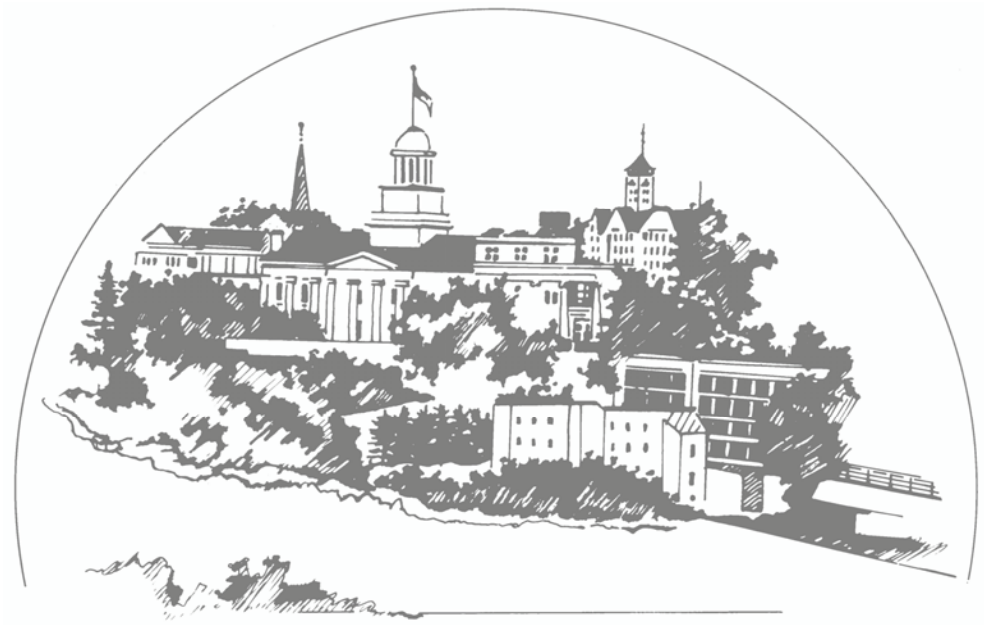


Statistical Section

This part of the City of Iowa City's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents | Page |
|---|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. | 93 |
| Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. | 98 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. | 103 |
| Demographic and Economic Information These schedule offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. | 111 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 114 |

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.*



CITY OF IOWA CITY, IOWA

NET ASSETS BY COMPONENT

Last Four Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

| | | Fiscal Year | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 73,447 | \$ 67,090 | \$ 84,768 | \$ 95,227 |
| Restricted | 22,499 | 17,705 | 16,973 | 6,852 |
| Unrestricted | 16,926 | 11,700 | 3,793 | 10,827 |
| Total governmental activities net assets | <u>\$ 112,872</u> | <u>\$ 96,495</u> | <u>\$ 105,534</u> | <u>\$ 112,906</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 111,487 | \$ 150,817 | \$ 150,797 | \$ 155,346 |
| Restricted | 24,420 | 14,932 | 15,038 | 15,682 |
| Unrestricted | 33,339 | 36,246 | 40,780 | 42,988 |
| Total business-type activities net assets | <u>\$ 169,246</u> | <u>\$ 201,995</u> | <u>\$ 206,615</u> | <u>\$ 214,016</u> |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 184,934 | \$ 217,907 | \$ 235,565 | \$ 250,573 |
| Restricted | 46,919 | 32,637 | 32,011 | 22,534 |
| Unrestricted | 50,265 | 47,946 | 44,573 | 53,815 |
| Total primary government net assets | <u>\$ 282,118</u> | <u>\$ 298,490</u> | <u>\$ 312,149</u> | <u>\$ 326,922</u> |

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS

Last Four Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

| | Fiscal Year | | | |
|---|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Expenses | | | | |
| Governmental activities: | | | | |
| Public Safety | \$ 13,844 | \$ 15,015 | \$ 15,286 | \$ 16,690 |
| Public Works | 11,539 | 10,423 | 11,521 | 12,723 |
| Culture and recreation | 10,131 | 12,051 | 11,341 | 11,458 |
| Community and economic development | 3,133 | 2,580 | 6,960 | 6,264 |
| General government | 6,251 | 6,527 | 6,500 | 6,892 |
| Debt Service | 3,662 | 3,440 | 3,602 | 3,404 |
| Total governmental activities expenses | <u>48,560</u> | <u>50,036</u> | <u>55,210</u> | <u>57,431</u> |
| Business-type activities: | | | | |
| Wastewater | 12,086 | 12,344 | 12,214 | 11,710 |
| Water | 7,861 | 8,011 | 8,313 | 9,324 |
| Sanitation | 4,082 | 6,103 | 6,031 | 6,101 |
| Housing Authority | 6,519 | 7,219 | 7,466 | 7,026 |
| Parking | 3,554 | 3,898 | 3,989 | 3,884 |
| Airport | 431 | 515 | 520 | 512 |
| Stormwater | | 652 | 1,452 | 817 |
| Cable Television | 687 | 549 | 607 | 576 |
| Total business-type activities expenses | <u>35,220</u> | <u>39,291</u> | <u>40,592</u> | <u>39,950</u> |
| Total primary government expenses | <u>\$ 83,780</u> | <u>\$ 89,327</u> | <u>\$ 95,802</u> | <u>\$ 97,381</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services | \$ 6,378 | \$ 6,102 | \$ 6,139 | \$ 6,296 |
| Operating grants and contributions | 2,965 | 2,150 | 2,592 | 2,937 |
| Capital grants and contributions | 2,205 | 6,198 | 7,679 | 3,849 |
| Total governmental activities program revenues | <u>11,548</u> | <u>14,450</u> | <u>16,410</u> | <u>13,082</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Wastewater | 12,445 | 12,580 | 12,145 | 12,145 |
| Water | 9,677 | 9,164 | 8,602 | 9,012 |
| Sanitation | 6,531 | 7,111 | 7,154 | 7,133 |
| Housing Authority | 221 | 219 | 181 | 168 |
| Parking | 3,636 | 4,011 | 4,045 | 3,936 |
| Airport | 180 | 213 | 220 | 264 |
| Stormwater | - | 104 | 592 | 597 |
| Cable Television | 298 | 673 | 708 | 718 |
| Capital grants and contributions: Wastewater | 1,077 | 968 | 761 | 773 |
| Capital grants and contributions: Water | 640 | 452 | 588 | 606 |
| Capital grants and contributions: Sanitation | - | - | - | 46 |
| Capital grants and contributions: Airport | - | 116 | 283 | 1,125 |
| Capital grants and contributions: Stormwater | - | 717 | 755 | 468 |
| Operating grants and contributions: Housing Authority | 6,291 | 6,950 | 7,012 | 7,414 |
| Operating grants and contributions: Water | 131 | | | |
| Operating grants and contributions: Airport | 36 | | | |
| Operating grants and contributions: Sanitation | 201 | 9 | - | 3 |
| Total business-type activities program revenues | <u>41,364</u> | <u>43,287</u> | <u>43,046</u> | <u>44,408</u> |
| Total primary government revenues | <u>\$ 52,912</u> | <u>\$ 57,737</u> | <u>\$ 59,456</u> | <u>\$ 57,490</u> |

(continued)

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS (continued)

Last Four Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

| | Fiscal Year | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Net (Expense) / Revenues | | | | |
| Governmental activities | \$ (37,012) | \$ (35,586) | \$ (38,800) | \$ (44,349) |
| Business-type activities | 6,144 | 3,996 | 2,454 | 4,458 |
| Total primary government net expense | <u><u>\$ (30,868)</u></u> | <u><u>\$ (31,590)</u></u> | <u><u>\$ (36,346)</u></u> | <u><u>\$ (39,891)</u></u> |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| General revenues: | | | | |
| Property taxes | \$ 32,257 | \$ 34,173 | \$ 35,327 | \$ 37,770 |
| Road use tax | 5,144 | 5,311 | 5,269 | 5,303 |
| Other taxes | 1,399 | 1,609 | 1,351 | 1,240 |
| Earnings on investments | 1,207 | 1,056 | 1,576 | 2,678 |
| Miscellaneous | 3,174 | 3,746 | 3,994 | 4,422 |
| Gain on sale of assets | (1,726) | 65 | 95 | 100 |
| Transfers | 1,444 | (1,840) | 645 | 208 |
| Total governmental activities | <u><u>42,899</u></u> | <u><u>44,120</u></u> | <u><u>48,257</u></u> | <u><u>51,721</u></u> |
| Business-type activities: | | | | |
| General revenues: | | | | |
| Earnings on investments | 1,305 | 991 | 1,771 | 2,575 |
| Gain on sale of assets | 315 | 1,009 | 304 | 185 |
| Miscellaneous | 994 | 335 | 418 | 391 |
| Transfers | (1,444) | 1,840 | (645) | (208) |
| Total business-type activities | <u><u>1,170</u></u> | <u><u>4,175</u></u> | <u><u>1,848</u></u> | <u><u>2,943</u></u> |
| Total primary government | <u><u>\$ 44,069</u></u> | <u><u>\$ 48,295</u></u> | <u><u>\$ 50,105</u></u> | <u><u>\$ 54,664</u></u> |
| Change in Net Assets | | | | |
| Governmental activities | \$ 5,887 | \$ 8,534 | \$ 9,457 | \$ 7,372 |
| Business-type activities | 7,314 | 8,171 | 4,302 | 7,401 |
| Total primary government | <u><u>\$ 13,201</u></u> | <u><u>\$ 16,705</u></u> | <u><u>\$ 13,759</u></u> | <u><u>\$ 14,773</u></u> |

CITY OF IOWA CITY, IOWA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Four Fiscal Years
(Modified accrual basis of accounting)

(amounts expressed in thousands)

| | Fiscal Year | | | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| General Fund | | | | |
| Reserved | \$ 1,094 | \$ 396 | \$ 362 | \$ 570 |
| Unreserved | 13,012 | 14,301 | 15,525 | 16,551 |
| Total general fund | <u>\$ 14,106</u> | <u>\$ 14,697</u> | <u>\$ 15,887</u> | <u>\$ 17,121</u> |
| All other Governmental Funds | | | | |
| Reserved | \$ 11,536 | \$ 1,677 | \$ 2,198 | \$ 1,592 |
| Designated for long-term debt | 4,448 | 6,930 | 3,067 | 2,725 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 3,819 | 9,379 | 6,222 | 3,422 |
| Capital projects funds | 1,047 | 3,882 | 6,143 | 7,093 |
| Total all other governmental funds | <u>\$ 20,850</u> | <u>\$ 21,868</u> | <u>\$ 17,630</u> | <u>\$ 14,832</u> |

CITY OF IOWA CITY, IOWA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Four Fiscal Years
(modified accrual basis of accounting)

(amounts expressed in thousands)

| | Fiscal Year | | | |
|--|--------------------------|------------------------|--------------------------|--------------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Revenues: | | | | |
| Property taxes and assessments | \$ 31,966 | \$ 35,538 | \$ 36,677 | \$ 39,011 |
| Licenses and permits | 961 | 1,361 | 1,255 | 1,279 |
| Intergovernmental | 12,193 | 12,058 | 15,546 | 14,260 |
| Charges for services | 4,674 | 3,240 | 3,301 | 2,227 |
| Use of money and property | 997 | 1,002 | 1,354 | 2,203 |
| Miscellaneous | 2,558 | 4,377 | 4,121 | 4,176 |
| Total governmental activities expenses | <u>\$ 53,349</u> | <u>\$ 57,576</u> | <u>\$ 62,254</u> | <u>\$ 63,156</u> |
| Expenditures | | | | |
| Current | | | | |
| Public safety | \$ 13,115 | \$ 14,025 | \$ 14,601 | \$ 15,819 |
| Public works | 8,149 | 9,156 | 9,698 | 10,351 |
| Culture and recreation | 8,061 | 9,392 | 9,183 | 10,122 |
| Community and economic development | 3,715 | 3,486 | 6,375 | 4,698 |
| General government | 5,887 | 6,080 | 6,282 | 6,510 |
| Debt service | | | | |
| Principal | 4,742 | 5,172 | 9,349 | 6,099 |
| Interest | 3,683 | 3,336 | 3,676 | 3,458 |
| Capital projects | 20,095 | 16,065 | 13,939 | 15,153 |
| Total expenditures | <u>\$ 67,447</u> | <u>\$ 66,712</u> | <u>\$ 73,103</u> | <u>\$ 72,210</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (14,098)</u> | <u>\$ (9,136)</u> | <u>\$ (10,849)</u> | <u>\$ (9,054)</u> |
| Other financing sources (uses): | | | | |
| Issuance of long-term debt | \$ 10,600 | \$ 12,875 | \$ 7,020 | \$ 7,265 |
| Sale of capital assets | - | 384 | 406 | 109 |
| Issuance of note payable | - | - | 211 | - |
| Premium (discount) on issuance of bonds | 93 | (19) | 43 | 29 |
| Payment of refunded bonds | (6,415) | | | |
| Transfers in | 15,172 | 14,614 | 15,776 | 21,627 |
| Transfers out | (14,554) | (16,733) | (15,237) | (21,540) |
| Total other financing sources (uses) | <u>\$ 4,896</u> | <u>\$ 11,121</u> | <u>\$ 8,219</u> | <u>\$ 7,490</u> |
| Net change in fund balances | <u><u>\$ (9,202)</u></u> | <u><u>\$ 1,985</u></u> | <u><u>\$ (2,630)</u></u> | <u><u>\$ (1,564)</u></u> |
| Debt service as a percentage of noncapital expenditures | 17.8% | 16.8% | 22.0% | 16.7% |

CITY OF IOWA CITY, IOWA

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(Modified accrual basis of accounting)

(amounts expressed in thousands)

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Road Use Tax</u> | <u>Hotel/Motel Tax</u> | <u>Total</u> |
|-------------------------------|----------------------------|----------------------------|-------------------------------|---------------------|
| 1997 | \$ 19,659 | \$ 4,253 | \$ 427 | \$ 24,339 |
| 1998 | 20,635 | 4,087 | 501 | 25,223 |
| 1999 | 22,153 | 4,575 | 570 | 27,298 |
| 2000 | 24,271 | 4,928 | 554 | 29,753 |
| 2001 | 27,071 | 4,852 | 497 | 32,420 |
| 2002 | 28,623 | 5,077 | 646 | 34,346 |
| 2003 | 31,966 | 5,103 | 559 | 37,628 |
| 2004 | 35,538 | 5,311 | 580 | 41,429 |
| 2005 | 36,677 | 5,269 | 611 | 42,557 |
| 2006 | 39,011 | 5,303 | 674 | 44,988 |

CITY OF IOWA CITY, IOWA

ASSESSED AND TAXABLE VALUE OF PROPERTY

Last Ten Fiscal Years

(amounts expressed in thousands)

| Fiscal Year Ended <u>June 30</u> | Taxable Property Assessed Value/ Estimated <u>Actual Value</u> | Exempt <u>Property Value</u> | Total Taxable Assessed <u>Value</u> | Total Direct Tax Rate |
|---|---|---|--|--------------------------------------|
| 1997 | \$ 2,373,523 | \$ 114,154 | \$ 2,259,369 | \$ 12.653 |
| 1998 | 2,423,557 | 123,068 | \$ 2,300,489 | 13.050 |
| 1999 | 2,597,827 | 128,115 | 2,469,712 | 13.133 |
| 2000 | 2,699,944 | 136,493 | 2,563,451 | 13.851 |
| 2001 | 2,920,580 | 137,713 | 2,782,867 | 14.757 |
| 2002 | 2,975,254 | 152,991 | 2,822,263 | 14.850 |
| 2003 | 3,214,973 | 155,407 | 3,059,566 | 16.813 |
| 2004 | 3,322,001 | 176,188 | 3,145,813 | 17.596 |
| 2005 | 3,829,754 | 181,186 | 3,648,568 | 17.314 |
| 2006 | 3,946,328 | 183,799 | 3,762,529 | 17.729 |

Source: City of Iowa City Assessor's Office

Notes:

Property is reassessed in the odd numbered years to make adjustments to all property values, according to current market values.

As per the Code of Iowa, all real and tangible personal property subject to taxation shall be valued at its actual value and, except as otherwise provided, shall be reassessed at 100% of its actual value, and the value so assessed shall be taken and considered as the assessed value and taxable value of the property upon which the levy shall be made.

Taxable property includes real property, buildings and structures, industrial plant and fixtures, commercial equipment assessed as real property and utilities distribution property.

Exempt property includes all property that is owned by religious and educational institutions, charitable and benevolent societies, low-rent housing and associations for war veterans. Each must apply for property tax exempt status with the City Assessor, who determines if the property qualifies under state guidelines. Exempt property is assessed each year like other taxable property. Property owned by governmental entities is not taxable and is not included in "Exempt Property."

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(per \$1,000 assessed valuation)

| Fiscal Year | City of Iowa City | | | Overlapping Rates | | | | Total | |
|----------------|----------------------|-------------------------|-----------------------|--------------------------------|---------------------------------|----------------------------------|------------------|----------------------------------|--|
| | Operating Millage | Debt Service Millage | Total City Millage | Johnson County ¹ | Iowa City School District | Kirkwood Community College | State of Iowa | Direct & Overlapping Rates | |
| 1997 | \$ 11.453 | \$ 1.200 | \$ 12.653 | \$ 5.515 | \$ 12.130 | \$ 0.589 | \$ 0.005 | \$ 30.892 | |
| 1998 | 11.346 | 1.704 | 13.050 | 5.414 | 12.220 | 0.595 | 0.005 | 31.284 | |
| 1999 | 11.265 | 1.868 | 13.133 | 5.747 | 12.075 | 0.567 | 0.005 | 31.527 | |
| 2000 | 11.551 | 2.300 | 13.851 | 5.947 | 11.696 | 0.613 | 0.005 | 32.112 | |
| 2001 | 11.767 | 2.990 | 14.757 | 5.901 | 11.833 | 0.607 | 0.005 | 33.104 | |
| 2002 | 11.905 | 2.945 | 14.850 | 5.802 | 11.540 | 0.607 | 0.005 | 32.803 | |
| 2003 | 12.652 | 4.161 | 16.813 | 6.061 | 12.210 | 0.666 | 0.004 | 35.754 | |
| 2004 | 13.026 | 4.570 | 17.596 | 6.102 | 12.865 | 0.679 | 0.004 | 37.247 | |
| 2005 | 13.360 | 3.954 | 17.314 | 6.166 | 12.875 | 0.668 | 0.004 | 37.027 | |
| 2006 | 13.580 | 4.149 | 17.729 | 6.391 | 13.582 | 0.649 | 0.004 | 38.355 | |

Source: "Tax Levies for Johnson County, Iowa," compiled by the Johnson County Auditor.

Note:

¹Includes Johnson County, City of Iowa City Assessor, and Agricultural Extension levies.

CITY OF IOWA CITY, IOWA

PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years
(Cash basis of accounting)

(amounts expressed in thousands)

| Collection Year | Total Tax Levied | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Total as a Percent of Levy |
|----------------------------|-----------------------------|------------------------------------|--|---------------------------------------|----------------------------------|---|
| 1997 | \$ 19,766 | \$ 19,765 | 100.0 % | \$ 17 | \$ 19,782 | 100.1 % |
| 1998 | 20,807 | 20,521 | 98.6 | 8 | 20,529 | 98.7 |
| 1999 | 21,735 | 21,842 | 100.5 | 22 | 21,864 | 100.6 |
| 2000 | 23,945 | 23,989 | 100.2 | 5 | 23,994 | 100.2 |
| 2001 | 26,089 | 25,684 | 98.4 | 31 | 25,715 | 98.6 |
| 2002 | 27,920 | 28,423 | 101.8 | 5 | 28,428 | 101.8 |
| 2003 | 31,975 | 31,863 | 99.6 | 16 | 31,879 | 99.7 |
| 2004 | 34,073 | 34,009 | 99.8 | 23 | 34,032 | 99.9 |
| 2005 | 34,403 | 34,814 | 101.2 | 15 | 34,829 | 101.2 |
| 2006 | 36,460 | 36,654 | 100.5 | 44 | 36,698 | 100.7 |

Source: City of Iowa City Assessor's Office

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

(amounts expressed in thousands)

| | | 1997 | | | 2006 | | |
|--|-----------------------------------|-------------------|-------------|-------------------|-------------------|-------------|-------------------|
| | | <u>Taxable</u> | <u>Rank</u> | <u>% of Total</u> | <u>Taxable</u> | <u>Rank</u> | <u>% of Total</u> |
| <u>Ten largest taxpayers</u> ¹ | <u>Type of Business</u> | <u>Valuation</u> | | <u>Assessed</u> | <u>Valuation</u> | | <u>Assessed</u> |
| Mid-American Energy Company ² | Public Gas and Electric Utility | \$ 56,205 | 1 | 2.62 % | \$ 42,557 | 1 | 1.28 % |
| ACT Inc. (formerly American College Testing Program) | Educational Testing Service | 15,088 | 7 | 0.70 | 27,941 | 2 | 0.84 |
| Jame A Clark | Apartments | 19,980 | 4 | 0.93 | 26,870 | 3 | 0.81 |
| Southgate Development Company | Real Estate Developer | 16,633 | 6 | 0.77 | 21,873 | 4 | 0.66 |
| NCS Pearson | Information Services | 16,875 | 5 | 0.79 | 15,728 | 5 | 0.47 |
| Raycal Iowa LTD | Apartments | - | - | 0.00 | 12,924 | 6 | 0.39 |
| United Natural Foods | Wholesale Distribution Company | - | - | 0.00 | 12,716 | 7 | 0.38 |
| MEHSM LC (Sycamore Mall) | Shopping Mall | - | - | 0.00 | 12,588 | 8 | 0.38 |
| MIP Iowa City LLC (Sheraton Hotel) | Hotel | - | - | 0.00 | 10,982 | 9 | 0.33 |
| Proctor & Gamble LLC | Manufacturing Company | 23,938 | 2 | 1.12 | 10,841 | 10 | 0.33 |
| Heitman Properties | Old Capitol Mall Shopping Center | 22,126 | 3 | 1.03 | - | - | - |
| United Technologies Automotive | Automotive Products Manufacturing | 13,013 | 8 | 0.61 | - | - | - |
| Release International | Paper Manufacturing | 12,960 | 9 | 0.60 | - | - | - |
| Gillette-Canad (Oral-B) | Brush Manufacturing | 12,955 | 10 | 0.60 | - | - | - |
| Total | | <u>\$ 209,773</u> | | <u>9.77 %</u> | <u>\$ 195,020</u> | | <u>5.87 %</u> |

Sources:

¹City of Iowa City Assessor's Office - 2004 Annual Report - Assessment January 1, 2004 - Payable 2006

²State Department of Revenue

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total Primary Government</u> | <u>Percentage of Personal Income¹</u> | <u>Per Capita¹</u> |
|------------------------|---|----------------------------------|---|--------------------------|---|--|-----------------------------------|
| | <u>General Obligation Bonds</u> | <u>Capital Loan Note</u> | <u>General Obligation Bonds</u> | <u>Revenue Bonds</u> | | | |
| 1997 | \$ 13,986,169 | \$ 260,000 | \$ 17,143,831 | \$ 67,150,000 | \$ 98,540,000 | 3.20% | 1638.292 |
| 1998 | 20,577,000 | 195,000 | 20,902,991 | 65,270,000 | 106,944,991 | 3.25% | 1778.031 |
| 1999 | 27,203,023 | 130,000 | 18,831,977 | 78,990,000 | 125,155,000 | 3.59% | 2080.784 |
| 2000 | 24,363,329 | 65,000 | 16,761,671 | 89,375,000 | 130,565,000 | 3.42% | 2170.729 |
| 2001 | 46,697,343 | | 14,867,657 | 111,245,000 | 172,810,000 | 4.39% | 2777.403 |
| 2002 | 72,198,652 | | 13,061,348 | 141,410,000 | 226,670,000 | 5.56% | 3643.041 |
| 2003 | 71,641,169 | | 11,358,831 | 120,310,000 | 203,310,000 | 4.84% | 3259.218 |
| 2004 | 79,344,600 | | 9,640,400 | 115,710,000 | 204,695,000 | 4.55% | 3281.42 |
| 2005 | 77,015,379 | | 8,274,622 | 110,930,000 | 196,220,001 | 4.14% | 3145.559 |
| 2006 | 78,181,155 | | 6,878,845 | 105,915,000 | 190,975,000 | 3.83% | 3036.796 |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements

¹ Population and personal income information can be found on page 111.

CITY OF IOWA CITY, IOWA

RATIOS OF GENERAL OBLIGATION BONDED DEBT¹ TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

| <u>Fiscal Year</u> | <u>Assessed Value²</u> | <u>Gross Bonded Debt</u> | <u>Debt Payable from Proprietary</u> | <u>Debt Service Fund Balance</u> | <u>Net General Obligation Bonded Debt</u> | <u>Ratio of Net Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita³</u> |
|------------------------|---------------------------------------|------------------------------|--|--------------------------------------|---|---|---|
| 1997 | \$ 2,373,523 | \$ 31,390 | \$ 17,144 | \$ 643 | \$ 13,603 | 5.73:1000 | \$ 226 |
| 1998 | 2,423,557 | 41,675 | 20,903 | 616 | 20,156 | 8.32:1000 | 335 |
| 1999 | 2,597,827 | 46,165 | 18,832 | 347 | 26,986 | 10.39:1000 | 449 |
| 2000 | 2,699,944 | 41,190 | 16,762 | 192 | 24,236 | 8.98:1000 | 403 |
| 2001 | 2,920,580 | 61,565 | 14,868 | 494 | 46,203 | 15.82:1000 | 743 |
| 2002 | 2,975,254 | 85,260 | 13,061 | 464 | 71,735 | 24.12:1000 | 1,153 |
| 2003 | 3,214,973 | 83,000 | 11,359 | 4,448 | 67,193 | 20.90:1000 | 1,077 |
| 2004 | 3,322,001 | 85,085 | 9,640 | 6,930 | 68,515 | 20.62:1000 | 1,098 |
| 2005 | 3,829,754 | 85,290 | 8,275 | 3,067 | 73,948 | 19.31:1000 | 1,185 |
| 2006 | 3,946,328 | 85,060 | 6,879 | 2,725 | 75,456 | 19.12:1000 | 1,200 |

Notes:

¹General Obligation bonds.

²Obtained from the City of Iowa City Assessor's Office.

³Population data can be found on page 111.

CITY OF IOWA CITY, IOWA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES¹**

Last Ten Fiscal Years

(amounts expressed in thousands)

| Fiscal Year Ended <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | <u>Total General Governmental Expenditures and Transfers</u> | <u>Ratio of Debt Service to General Expenditures</u> |
|---|-------------------------|------------------------|--------------------------------------|---|---|
| 1997 | \$ 1,499 | \$ 464 | \$ 1,963 | \$ 45,690 | .04 : 1.00 |
| 1998 | 1,988 | 739 | 2,727 | 47,311 | .06 : 1.00 |
| 1999 | 2,452 | 1,038 | 3,490 | 45,851 | .08 : 1.00 |
| 2000 | 2,918 | 1,360 | 4,278 | 52,727 | .08 : 1.00 |
| 2001 | 3,541 | 1,763 | 5,304 | 53,898 | .10 : 1.00 |
| 2002 | 3,599 | 2,136 | 5,735 | 53,462 | .11 : 1.00 |
| 2003 ² | 4,742 | 3,683 | 8,425 | 82,001 | .10 : 1.00 |
| 2004 | 5,172 | 3,336 | 8,508 | 83,445 | .10 : 1.00 |
| 2005 | 9,349 | 3,676 | 13,025 | 88,342 | .15 : 1.00 |
| 2006 | 6,099 | 3,458 | 9,557 | 93,360 | .10 : 1.00 |

Notes:

¹General Fund, Special Revenue Funds and Debt Service Fund.

² Beginning in FY03, Capital Projects Funds are also included.

CITY OF IOWA CITY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2006

(amounts expressed in thousands, except per capita)

| <u>Name of Governmental Unit</u> | <u>Total General Long-Term Bonded Debt Outstanding</u> | <u>% Applicable to the City of Iowa City</u> | <u>Amount Applicable to the City of Iowa City</u> | <u>Per Capita</u> |
|--|--|--|---|-------------------|
| City of Iowa City | \$ 85,060 | 100.00% | \$ 85,060 | \$ 1,367 |
| Iowa City Community School District | 34,080 | 61.20% | 20,857 | 334 |
| Total | <u>\$ 119,140</u> | | <u>\$ 105,917</u> | <u>\$ 1,702</u> |
| Per capita assessed value | | | | <u>\$ 62,753</u> |

Source: Johnson County Auditor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Iowa City. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF IOWA CITY, IOWA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Debt Limit | \$ 107,326 | \$ 109,258 | \$ 118,676 | \$ 121,178 | \$ 129,891 | \$ 134,997 | \$ 146,029 | \$ 148,763 | \$ 160,749 | \$ 186,630 |
| Total net debt applicable to limit | 31,390 | 41,675 | 46,165 | 41,190 | 61,565 | 85,260 | 83,000 | 85,085 | 85,290 | 85,060 |
| Legal debt margin | <u>\$ 75,936</u> | <u>\$ 67,583</u> | <u>\$ 72,511</u> | <u>\$ 79,988</u> | <u>\$ 68,326</u> | <u>\$ 49,737</u> | <u>\$ 63,029</u> | <u>\$ 63,678</u> | <u>\$ 75,459</u> | <u>\$ 101,570</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 29.25% | 38.14% | 38.90% | 33.99% | 47.40% | 63.16% | 56.84% | 57.20% | 53.06% | 45.58% |

Legal Debt Margin Calculation for Fiscal Year 2006

| | |
|---|-----------------------|
| Total Assessed Valuation | \$ 3,732,590,506 |
| Debt Limit - 5% of Total Assessed Valuation | 186,629,525 |
| Less: Amount of Debt Applicable to Debt Limit | <u>85,060,000</u> |
| Legal Debt Margin | <u>\$ 101,569,525</u> |

Note: Under Iowa code, the city's outstanding general obligation debt should not exceed 5 percent of total assessed property value.

CITY OF IOWA CITY, IOWA

GENERAL OBLIGATION DEBT ANNUAL MATURITY SCHEDULE

108

| Fiscal Year | Payments | | | Funding Source(s) | | | | | |
|----------------|---------------|---------------|----------------|-------------------------|------------------|--------------------|------------------|--------------------------|--|
| | Principal | Interest | Total | Property Tax Revenue | Sewer Revenue | Parking Revenue | Water Revenue | Principal Outstanding | |
| 2006 | \$ 7,495,000 | \$ 3,784,228 | \$ 11,279,228 | \$ 9,202,689 | \$ 177,193 | \$ 310,900 | \$ 1,234,094 | \$ 85,290,000 | |
| 2007 | 8,130,000 | 3,748,852 | 11,878,852 | 9,810,710 | 172,984 | 318,525 | 1,222,281 | 85,060,000 | |
| 2008 | 7,140,000 | 3,460,830 | 10,600,830 | 9,131,159 | - | - | 800,318 | 76,930,000 | |
| 2009 | 7,325,000 | 3,172,143 | 10,497,143 | 9,047,624 | - | - | 777,766 | 69,790,000 | |
| 2010 | 7,470,000 | 2,873,293 | 10,343,293 | 8,901,484 | - | - | 773,256 | 62,465,000 | |
| 2011 | 7,730,000 | 2,560,860 | 10,290,860 | 8,853,621 | - | - | 767,287 | 54,995,000 | |
| 2012 | 8,010,000 | 2,232,118 | 10,242,118 | 8,812,626 | - | - | 760,514 | 47,265,000 | |
| 2013 | 6,995,000 | 1,884,293 | 8,879,293 | 7,460,201 | - | - | 752,689 | 39,255,000 | |
| 2014 | 6,670,000 | 1,572,043 | 8,242,043 | 6,849,701 | - | - | 724,227 | 32,260,000 | |
| 2015 | 6,330,000 | 1,267,605 | 7,597,605 | 6,214,265 | - | - | 714,462 | 25,590,000 | |
| 2016 | 5,300,000 | 971,250 | 6,271,250 | 5,267,560 | - | - | 330,000 | 19,260,000 | |
| 2017 | 3,560,000 | 712,418 | 4,272,418 | 3,280,328 | - | - | 315,000 | 13,960,000 | |
| 2018 | 3,405,000 | 531,046 | 3,936,046 | 3,257,113 | - | - | - | 10,400,000 | |
| 2019 | 1,805,000 | 356,434 | 2,161,434 | 1,482,000 | - | - | - | 6,995,000 | |
| 2020 | 1,900,000 | 266,184 | 2,166,184 | 1,483,000 | - | - | - | 5,190,000 | |
| 2021 | 2,005,000 | 170,490 | 2,175,490 | 1,485,750 | - | - | - | 3,290,000 | |
| 2022 | 625,000 | 68,765 | 693,765 | - | - | - | - | 1,285,000 | |
| 2023 | 660,000 | 35,640 | 695,640 | - | - | - | - | 660,000 | |
| Total | \$ 92,555,000 | \$ 29,668,488 | \$ 122,223,488 | \$ 100,539,830 | \$ 350,176 | \$ 629,425 | \$ 9,171,893 | | |

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

| Fiscal Year Ended June 30 | Revenue | Expenses¹ | Net Revenue Available for Debt Service | Annual Debt Service² | | | Ratio of Coverage |
|---|----------------|-----------------------------|---|--|-----------------|--------------|------------------------------|
| | | | | Principal | Interest | Total | |
| Parking Revenue³ | | | | | | | |
| 1997 | \$ 3,338 | \$ 1,950 | \$ 1,388 | \$ 330 | \$ 218 | \$ 548 | 2.53 |
| 1998 | 3,822 | 1,770 | 2,052 | 390 | 195 | 585 | 3.51 |
| 1999 | 3,653 | 1,713 | 1,940 | 415 | 168 | 583 | 3.33 |
| 2000 | 3,716 | 1,861 | 1,855 | 455 | 139 | 594 | 3.12 |
| 2001 | 4,309 | 2,176 | 2,133 | 485 | 836 | 1,321 | 1.61 |
| 2002 | 4,272 | 1,960 | 2,312 | 510 | 746 | 1,256 | 1.84 |
| 2003 | 4,198 | 1,953 | 2,245 | 375 | 715 | 1,090 | 2.06 |
| 2004 | 4,164 | 2,319 | 1,845 | 395 | 687 | 1,082 | 1.71 |
| 2005 | 4,360 | 2,377 | 1,983 | 305 | 663 | 968 | 2.05 |
| 2006 | 4,161 | 2,380 | 1,781 | 320 | 645 | 965 | 1.85 |
| Wastewater Treatment Revenue⁴ | | | | | | | |
| 1997 | \$ 11,040 | \$ 2,739 | \$ 8,301 | \$ 1,295 | \$ 2,923 | \$ 4,218 | 1.97 |
| 1998 | 11,066 | 2,809 | 8,257 | 1,490 | 3,382 | 4,872 | 1.69 |
| 1999 | 11,362 | 2,987 | 8,375 | 2,065 | 3,519 | 5,584 | 1.50 |
| 2000 | 11,872 | 3,259 | 8,613 | 2,160 | 3,691 | 5,851 | 1.47 |
| 2001 | 12,824 | 3,248 | 9,576 | 2,505 | 3,589 | 6,094 | 1.57 |
| 2002 | 12,501 | 3,389 | 9,112 | 3,005 | 4,236 | 7,241 | 1.26 |
| 2003 | 13,000 | 4,463 | 8,537 | 3,060 | 4,385 | 7,445 | 1.15 |
| 2004 | 12,947 | 4,523 | 8,424 | 3,280 | 3,672 | 6,952 | 1.21 |
| 2005 | 12,600 | 4,432 | 8,168 | 3,630 | 3,537 | 7,167 | 1.14 |
| 2006 | 12,798 | 4,260 | 8,538 | 3,815 | 3,390 | 7,205 | 1.19 |
| Water Revenue⁵ | | | | | | | |
| 1999 | \$ 8,571 | \$ 3,295 | \$ 5,276 | \$ - | \$ - | \$ - | 0.00 |
| 2000 | 9,626 | 3,384 | 6,242 | - | 299 | 299 | 20.88 |
| 2001 | 10,629 | 3,410 | 7,219 | 140 | 445 | 585 | 12.34 |
| 2002 | 10,179 | 3,428 | 6,751 | 705 | 1,175 | 1,880 | 3.59 |
| 2003 | 10,241 | 4,361 | 5,880 | 500 | 1,088 | 1,588 | 3.70 |
| 2004 | 10,627 | 4,360 | 6,267 | 925 | 1,427 | 2,352 | 2.66 |
| 2005 | 9,287 | 4,783 | 4,504 | 845 | 1,340 | 2,185 | 2.06 |
| 2006 | 9,918 | 5,722 | 4,196 | 880 | 1,305 | 2,185 | 1.92 |

Note:

¹Excludes depreciation and interest.

²Includes principal and interest of revenue bonds only.

³Parking Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.25.

⁴Wastewater Treatment Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

⁵Water Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY SCHEDULE

| Fiscal Year | Payments | | | Funding Source(s) | | | Principal Outstanding |
|----------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|--------------------------|
| | Principal | Interest | Total | Sewer Revenue | Parking Revenue | Water Revenue | |
| 2006 | \$ 5,015,000 | \$ 5,340,208 | \$ 10,355,208 | \$ 7,204,789 | \$ 965,104 | \$ 2,185,315 | \$ 110,930,000 |
| 2007 | 5,155,000 | 5,128,064 | 10,283,064 | 7,138,686 | 960,863 | 2,183,515 | 105,915,000 |
| 2008 | 5,415,000 | 4,905,893 | 10,320,893 | 7,176,052 | 960,594 | 2,184,246 | 100,760,000 |
| 2009 | 5,625,000 | 4,668,765 | 10,293,765 | 7,156,949 | 954,298 | 2,182,519 | 95,345,000 |
| 2010 | 5,875,000 | 4,413,216 | 10,288,216 | 7,153,083 | 951,973 | 2,183,160 | 89,720,000 |
| 2011 | 6,195,000 | 4,139,939 | 10,334,939 | 7,205,109 | 948,473 | 2,181,358 | 83,845,000 |
| 2012 | 6,505,000 | 3,851,052 | 10,356,052 | 7,229,772 | 943,798 | 2,182,483 | 77,650,000 |
| 2013 | 6,640,000 | 3,548,294 | 10,188,294 | 7,059,487 | 942,801 | 2,186,007 | 71,145,000 |
| 2014 | 4,925,000 | 3,270,461 | 8,195,461 | 5,068,768 | 940,335 | 2,186,359 | 64,505,000 |
| 2015 | 5,185,000 | 3,016,299 | 8,201,299 | 5,076,744 | 936,401 | 2,188,155 | 59,580,000 |
| 2016 | 5,470,000 | 2,746,786 | 8,216,786 | 5,094,890 | 935,851 | 2,186,045 | 54,395,000 |
| 2017 | 5,745,000 | 2,460,824 | 8,205,824 | 5,087,734 | 933,468 | 2,184,623 | 48,925,000 |
| 2018 | 6,065,000 | 2,156,526 | 8,221,526 | 5,098,893 | 934,100 | 2,188,534 | 43,180,000 |
| 2019 | 6,365,000 | 1,833,193 | 8,198,193 | 5,082,558 | 927,815 | 2,187,820 | 37,115,000 |
| 2020 | 6,735,000 | 1,490,209 | 8,225,209 | 5,108,288 | 929,465 | 2,187,456 | 30,750,000 |
| 2021 | 6,560,000 | 1,138,071 | 7,698,071 | 4,582,400 | 928,400 | 2,187,271 | 24,015,000 |
| 2022 | 5,310,000 | 816,768 | 6,126,768 | 3,015,544 | 924,600 | 2,186,624 | 17,455,000 |
| 2023 | 4,215,000 | 556,432 | 4,771,432 | 1,662,975 | 923,250 | 2,185,207 | 12,145,000 |
| 2024 | 3,000,000 | 358,381 | 3,358,381 | 866,238 | 924,050 | 1,568,094 | 7,930,000 |
| 2025 | 3,175,000 | 186,200 | 3,361,200 | 868,475 | 921,850 | 1,570,875 | 4,930,000 |
| 2026 | 1,755,000 | 48,831 | 1,803,831 | 868,238 | - | 935,594 | 1,755,000 |
| Total | \$ 110,930,000 | \$ 56,074,413 | \$ 167,004,413 | \$ 104,805,669 | \$ 18,787,486 | \$ 43,411,258 | |

CITY OF IOWA CITY, IOWA
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

| Calendar Year | <u>Population</u> | <u>Personal Income¹</u> | <u>Per Capita Personal Income¹</u> | <u>School Enrollment²</u> | <u>Unemployment Rate³</u> | <u>Retail Sales⁵</u> |
|--------------------------|--------------------------|---|--|---|---|--|
| 1997 | 60,148 | \$ 3,077,644 | \$ 24,224 | 11,294 | 2.8 | \$ 677,700,000 |
| 1998 | 60,148 | 3,289,600 | 25,635 | 11,430 | 2.4 | 701,135,582 |
| 1999 | 60,148 | 3,486,324 | 26,737 | 11,479 | 2.5 | 733,403,377 |
| 2000 | 60,148 | 3,815,300 | 28,907 | 11,543 | 2.0 | 756,054,331 |
| 2001 | 62,220 | 3,934,971 | 29,388 | 11,603 | 2.4 | 780,591,426 |
| 2002 | 62,220 | 4,079,158 | 30,224 | 11,697 | 3.2 | 766,901,892 |
| 2003 | 62,380 | 4,197,024 | 30,831 | 11,700 | 3.5 | 776,693,440 |
| 2004 | 62,380 | 4,502,187 | 32,729 | 11,885 | 4.0 | 854,156,442 |
| 2005 ⁶ | 62,380 | 4,739,329 | 34,174 | 11,866 | 2.9 | 878,009,171 |
| 2006 ⁶ | 62,887 | 4,988,962 | 35,615 | 11,988 | 2.4 | 901,481,066 |

Sources and Notes:

¹ Personal Income and Per Capita Personal Income based on metropolitan Iowa City / Coralville and based on figures from Bureau of E

²Iowa City Community School District and local private schools

³Iowa Workforce Development Center

⁴Percent of Population completing 12 years of formal schooling or more.

⁵Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance. Fiscal year ending March 31.

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

| <u>Employers</u> | 1997 | | 2006 | |
|--|------------------|-------------|------------------|-------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Employees</u> | <u>Rank</u> |
| University of Iowa | 22,555 | 1 | 23,975 | 1 |
| ACT Inc. (formerly American College Testing Program) | 800 | 7 | 1,340 | 2 |
| Mercy Hospital | 1,100 | 4 | 1,250 | 3 |
| Veterans Administration Medical Center | 1,300 | 2 | 1,232 | 4 |
| Iowa City Community School District | 1,225 | 3 | 1,100 | 5 |
| NCS Pearson | 857 | 5 | 1,053 | 6 |
| Lear Corporation | - | - | 850 | 7 |
| Hy-Vee | - | - | 775 | 8 |
| City of Iowa City | 582 | 9 | 625 | 9 |
| Gillette Canada (Oral B Laboratories) | 435 | 10 | 500 | 10 |
| United Technologies Automotive | 810 | 6 | - | - |
| Proctor & Gamble | 602 | 8 | - | - |

Sources:

Iowa Workforce Development & Iowa City Area Chamber of Commerce (including full and part-time employees).

Note:



CITY OF IOWA CITY, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety | | | | | | |
| Police | 82.5 | 88.25 | 90.75 | 96.25 | 96.25 | 97.25 |
| Fire | 52 | 52 | 52 | 52 | 52 | 58 |
| Animal Shelter | 5 | 5 | 5.44 | 5.5 | 5.5 | 5.5 |
| Inspection Services | 13 | 14.13 | 14.13 | 14.13 | 14.13 | 14.13 |
| Public Works | | | | | | |
| Public Works Admin | 2 | 2 | 2 | 2 | 3 | 2 |
| Engineering | 9.5 | 11 | 11 | 10.6 | 11.6 | 13.6 |
| Traffic Engineering | 7 | 3.75 | 3.75 | 4.15 | 4.15 | 4.15 |
| Streets | 22.25 | 23 | 23 | 23.5 | 23.5 | 23.5 |
| Culture and Recreation | | | | | | |
| Parks and Rec Admin | 2 | 2 | 2 | 2 | 2 | 2 |
| Recreation | 13 | 12.67 | 13.17 | 14.67 | 15.17 | 15.17 |
| Parks | 11 | 11.5 | 12 | 13 | 13 | 13 |
| Forestry | 3 | 3 | 3 | 3 | 3 | 3 |
| Cemetery | 3 | 3 | 3 | 3 | 3 | 3 |
| CBD Maintenance | 2 | 2.5 | 3 | 3 | 3 | 3 |
| Library | 37.25 | 38 | 38 | 40.25 | 40.25 | 41.25 |
| Senior Center | 5.5 | 5.5 | 5.5 | 6 | 6 | 6 |
| Community and Economic Development | 8.95 | 8.45 | 8.45 | 8.55 | 8.55 | 9.05 |
| General Government | | | | | | |
| City Council | 7 | 7 | 7 | 7 | 7 | 7 |
| City Manager | 3 | 3 | 3 | 3 | 3 | 3 |
| City Clerk | 4.5 | 4.5 | 4.5 | 5 | 4.5 | 4.5 |
| City Attorney | 6 | 6 | 6 | 6 | 6 | 6.6 |
| Personnel | 3 | 3 | 4 | 4 | 4 | 4 |
| Finance | 28.32 | 28.22 | 28.62 | 27.71 | 27.36 | 28.61 |
| Government Buildings | 3.75 | 4.08 | 4.08 | 4.08 | 4.97 | 4.96 |
| Energy Conservation | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Human Rights | 1.5 | 2 | 2 | 2 | 2 | 2 |
| Transit | 48.5 | 49.5 | 48.75 | 48.25 | 48.25 | 48.5 |
| Special Revenue | | | | | | |
| Employee Benefits | 0.38 | 0.38 | 0.38 | 0.45 | 0.45 | 0.4 |
| CIP / Roads | | | | 7 | 6 | 7 |
| Community Development | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 | 4.75 |
| JCCOG | 4.8 | 5.8 | 5.8 | 6.1 | 6.1 | 6.1 |
| Library Development | 2 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Internal Service Funds | | | | | | |
| Information Technology | 5.5 | 5.5 | 5.5 | 7.95 | 7.5 | 7.5 |
| Equipment | 10.5 | 9.5 | 9.5 | 9.5 | 9.5 | 10.25 |
| Central Services | 1.6 | 1.7 | 1.7 | 2.1 | 2.25 | 0.75 |
| Risk Management | 1.59 | 1.59 | 1.59 | 1.56 | 1.46 | 1.26 |
| Business-Type Activities | | | | | | |
| Parking | 27.5 | 27.5 | 30.5 | 30.5 | 37 | 37 |
| Wastewater Treatment | 25 | 28.3 | 30.3 | 25.3 | 25.3 | 26.3 |
| Water | 26.75 | 25.95 | 25.95 | 26.2 | 26.2 | 28.2 |
| Sanitation | 31 | 31 | 31 | 31.85 | 32.35 | 32.35 |
| Airport | 1.5 | 1.5 | 1.5 | 1.75 | 2 | 2 |
| Cable television | 3.6 | 4.6 | 4.75 | 5.25 | 5.25 | 5.25 |
| Stormwater | | | | | | |
| Housing Authority | 12.75 | 10.75 | 11.75 | 10.75 | 12.5 | 12.5 |
| Total | 544.24 | 553.87 | 565.11 | 581.65 | 591.79 | 606.38 |

Source: City's Financial Plans.

Full-Time Equivalent Employees as of June 30

| <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|-------------|-------------|-------------|-------------|
| 97.25 | 97.25 | 94.25 | 94.25 |
| 58 | 58 | 56 | 57 |
| 6 | 6 | 6 | 6 |
| 14.13 | 14.13 | 13.88 | 14.88 |
| 2 | 2 | 2 | 2 |
| 13.6 | 13.6 | 11.6 | 11.6 |
| 5.65 | 5.65 | 5.65 | 4.15 |
| 22 | 22 | 22 | 23.5 |
| 2 | 2 | 2 | 2 |
| 15.17 | 15.17 | 15.17 | 15.17 |
| 13 | 13 | 12 | 13 |
| 3 | 3 | 3 | 3 |
| 3 | 3 | 3 | 3 |
| 3 | 3 | 3 | 3 |
| 41.25 | 43.25 | 42.63 | 42.63 |
| 5.81 | 5.81 | 6.31 | 6.31 |
| 8.35 | 9.45 | 8.45 | 8.45 |
| 7 | 7 | 7 | 7 |
| 3 | 3 | 3 | 3 |
| 4 | 4 | 4 | 4 |
| 6.6 | 6.6 | 6.6 | 6.6 |
| 4 | 4 | 4 | 4 |
| 28.61 | 28.61 | 26.61 | 26.75 |
| 4.96 | 4.96 | 4.96 | 4.96 |
| 0.5 | 0.5 | 0.5 | 0.5 |
| 2.5 | 2.5 | 2.5 | 2.5 |
| 48.5 | 48.5 | 50.5 | 50.5 |
| 0.34 | 0.34 | 0.34 | 0.39 |
| 7 | 7 | 3 | 2 |
| 5.45 | 5.35 | 4.35 | 4.35 |
| 6.1 | 6.1 | 6.1 | 6.6 |
| 1.5 | 1.5 | 0.8 | 1 |
| 7.5 | 7.5 | 8 | 11.75 |
| 11.25 | 11.26 | 11.25 | 11.26 |
| 0.75 | 0.75 | 0.75 | 0.75 |
| 1.33 | 1.33 | 1.32 | 1.38 |
| 31.5 | 31.5 | 32.75 | 32.75 |
| 26.3 | 27.3 | 27.3 | 25.5 |
| 30.7 | 31.7 | 31.7 | 32.5 |
| 32.35 | 32.35 | 34.35 | 33.85 |
| 2 | 2 | 2 | 1.6 |
| 6.19 | 6.19 | 6.19 | 6.19 |
| | | | 0.5 |
| 12.5 | 12.5 | 12.75 | 13.25 |
| 605.64 | 610.65 | 599.56 | 605.37 |

CITY OF IOWA CITY, IOWA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Public Safety | | | | | | | | | | |
| Police ¹ | | | | | | | | | | |
| Physical arrests | 7175 | 7481 | 7835 | 7835 | 7339 | 8929 | 8016 | 7288 | 7528 | 6487 |
| Traffic Violations | 8021 | 7107 | 5355 | 8061 | 8047 | 7639 | 7428 | 8515 | 7428 | 7633 |
| Fire ² | | | | | | | | | | |
| Number of calls answered | 3,215 | 3,679 | 3,772 | 3,768 | 3,570 | 3,519 | 3,546 | 3,518 | 3,596 | 3,462 |
| Inspections conducted | 1,962 | 1,952 | 1,081 | 926 | 1,079 | 989 | 936 | 975 | 1,083 | 1,146 |
| Parking | | | | | | | | | | |
| Parking Violations ³ | N/A | N/A | N/A | N/A | N/A | N/A | 186,674 | 155,338 | 145,033 | 139,338 |
| Wastewater Treatment | | | | | | | | | | |
| Daily average treatment in gallons | 4,720,000 | 5,870,000 | 5,340,000 | 4,500,000 | 5,710,000 | 5,110,000 | 4,530,000 | 4,960,000 | 4,870,000 | 4,580,000 |
| Maximum daily capacity of plant in gallons | 35,000,000 | 35,000,000 | 35,000,000 | 35,000,000 | 35,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 |
| Water | | | | | | | | | | |
| Daily average consumption in gallons | 6,100,000 | 6,050,000 | 6,121,000 | 5,890,000 | 5,717,000 | 6,000,000 | 6,034,000 | 5,742,000 | 5,448,500 | 5,680,600 |
| Maximum daily capacity of plant in gallons | 10,500,000 | 10,500,000 | 10,500,000 | 10,500,000 | 10,500,000 | 10,500,000 | 16,700,000 | 16,700,000 | 16,700,000 | 16,700,000 |
| Sanitation | | | | | | | | | | |
| Number of Customers | 13,274 | 13,124 | 13,274 | 13,457 | 13,555 | 13,668 | 13,806 | 13,983 | 14,158 | 14,371 |
| Tons | 7,460 | 7,656 | 7,873 | 7,869 | 7,905 | 8,138 | 8,062 | 8,716 | 8,667 | 8,463 |
| Landfill | | | | | | | | | | |
| Tonnage | 79,657 | 91,626 | 81,707 | 84,704 | 97,208 | 103,404 | 103,585 | 108,155 | 113,356 | 111,124 |

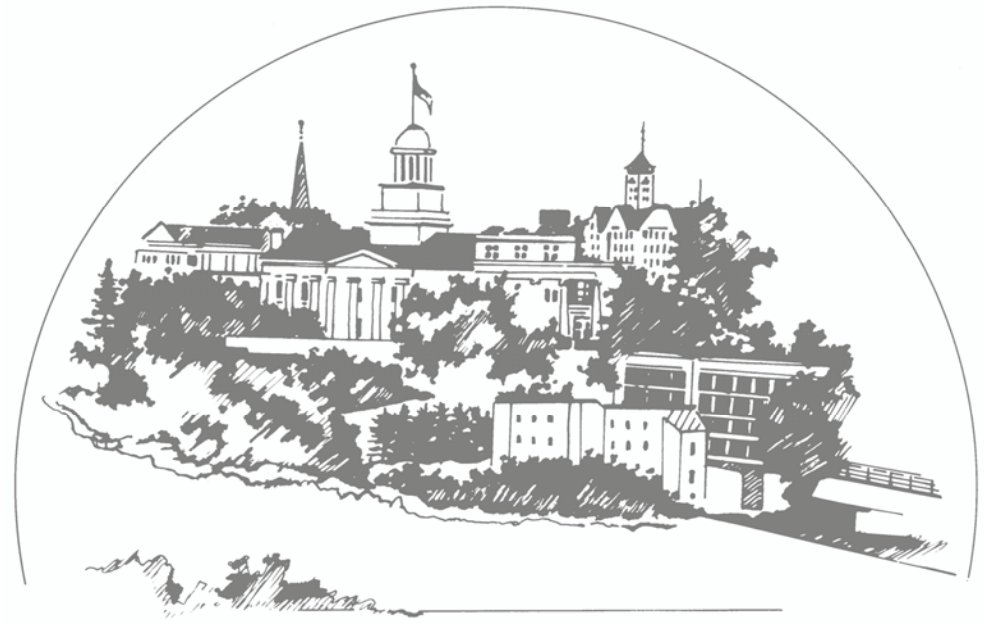
Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2006 figures are compiled through 11/30/06.

² Numbers are based on a calendar year and 2006 figures are compiled through 12/6/06.

³ Information on the number of parking violations not available for years prior to FY03.



CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

| | | Fiscal Year | | | | | | | | | |
|------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
| Public Safety | | | | | | | | | | | |
| Police | | | | | | | | | | | |
| Stations | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | | 16 | 16 | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Fire | | | | | | | | | | | |
| Stations | | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fire apparatus | | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Public Works | | | | | | | | | | | |
| Streets | | | | | | | | | | | |
| Miles | | 240 | 242 | 244 | 246 | 249 | 251 | 256 | 259 | 262 | 262 |
| Street Lights | | 2570 | 2641 | 2682 | 2717 | 2863 | 2920 | 2919 | 3352 | 3357 | 3357 |
| Culture and Recreation | | | | | | | | | | | |
| Library | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cemetery | | | | | | | | | | | |
| Acreage | | 37 | 37 | 37 | 37 | 40 | 40 | 40 | 40 | 40 | 40 |
| Parks | | 44 | 44 | 46 | 50 | 50 | 50 | 50 | 61 | 61 | 61 |
| Acreage | | 984 | 984 | 1,008 | 1,322 | 1,322 | 1,322 | 1,322 | 1,400 | 1,400 | 1,400 |
| Recreation | | | | | | | | | | | |
| Recreation center | | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Swimming pools | | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Ball diamonds | | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| Tennis courts | | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Soccer fields | | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |

(continued)

CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION (continued)

Last Ten Fiscal Years

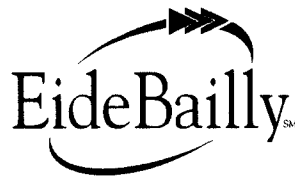
| | | | | | | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Parking | | | | | | | | | | |
| Facilities | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 |
| Spaces | 1,975 | 1,975 | 1,975 | 1,975 | 2,537 | 2,537 | 2,537 | 2,537 | 2,537 | 3,137 |
| Wastewater Treatment | | | | | | | | | | |
| Miles of sanitary sewer | 235 | 238 | 240 | 260 | 263 | 266 | 269 | 274 | 277 | 280 |
| Miles of storm sewer | N/A | N/A | N/A | N/A | 91 | 94 | 98 | 102 | 105 | 110 |
| Number of treatment plants | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of service connectors | 19,184 | 19,808 | 20,195 | 20,635 | 21,061 | 21,785 | 22,514 | 23,077 | 23,558 | 24,113 |
| Water | | | | | | | | | | |
| Miles of water mains | 233 | 236 | 239 | 244 | 252 | 260 | 265 | 269 | 272 | 277 |
| Number of active accounts | 19,184 | 19,808 | 20,195 | 20,635 | 21,061 | 21,785 | 22,514 | 23,077 | 23,558 | 24,113 |
| Number of city owned fire hydrants | 1,747 | 1,827 | 1,935 | 2,029 | 2,109 | 2,182 | 2,243 | 2,340 | 2,448 | 2,474 |
| Sanitation | | | | | | | | | | |
| Landfills | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Acreage | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |

Sources: Various city divisions.

Notes:

¹ Number of miles of storm sewer not tracked in prior years.





CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Iowa City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Iowa City, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we reported to management of the City in a separate letter dated November 16, 2006.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Iowa City, Iowa, and other parties to whom the City of Iowa City, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Iowa City, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
November 16, 2006



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of the City Council
City of Iowa City, Iowa

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Iowa City, Iowa, and other parties to whom the City of Iowa City, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
November 16, 2006

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Program Expenditures</u> |
|---|--------------------|--|---------------------------------|
| Direct: | | | |
| Department of Housing and Urban Development: | | | |
| Community Development Block Grants/ Entitlement Grants | 14.218 | B-03-MC-19-0009 | \$ 122,000 |
| Community Development Block Grants/ Entitlement Grants | 14.218 | B-04-MC-19-0009 | 752,474 |
| Community Development Block Grants/ Entitlement Grants | 14.218 | B-05-MC-19-0009 | 230,497 |
| | | | <u>1,104,971</u> |
| HOME Investment Partnerships Program | 14.239 | M-02-MC-19-0205 | 18,783 |
| HOME Investment Partnerships Program | 14.239 | M-03-MC-19-0205 | 332,133 |
| HOME Investment Partnerships Program | 14.239 | M-04-MC-19-0205 | 51,907 |
| HOME Investment Partnerships Program | 14.239 | M-05-MC-19-0205 | 485,721 |
| | | | <u>888,544</u> |
| Public and Indian Housing | 14.850 | IA022-3060 | <u>165,911</u> |
| Resident Opportunity and Supportive Services | 14.870 | IA022REF010A003 | <u>65,119</u> |
| Section 8 Housing Choice Vouchers | 14.871 | KC9033 | <u>6,093,323</u> |
| Public Housing Capital Fund | 14.872 | IA05P02250203 | 33,553 |
| Public Housing Capital Fund | 14.872 | IA05P02250105 | 77,630 |
| Public Housing Capital Fund | 14.872 | IA05P02250103 | 99,013 |
| Public Housing Capital Fund | 14.872 | IA05P02250104 | 173,244 |
| | | | <u>383,440</u> |
| Department of Justice: | | | |
| Local Law Enforcement Block Grants Program | 16.592 | 2003-LB-BX-0934 | 44,748 |
| Local Law Enforcement Block Grants Program | 16.592 | 2004-LB-BX-0839 | 12,927 |
| | | | <u>57,675</u> |
| Bulletproof Vest Partnership Program | 16.607 | BVP010119380 | <u>3,025</u> |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2005-DJ-BX-0817 | <u>94,201</u> |
| Department of Transportation: | | | |
| Airport Improvement Program | 20.106 | 3-19-0047-10 | 947,448 |
| Airport Improvement Program | 20.106 | 3-19-0047-11 | 95,825 |
| Airport Improvement Program | 20.106 | 3-19-0047-13 | 8,127 |
| | | | <u>1,051,400</u> |
| | | | (continued) |

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2006

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Program Expenditures</u> |
|--|--------------------|--|---------------------------------|
| Direct: (continued) | | | |
| Department of Transportation: (continued) | | | |
| Federal Transit – Formula Grants | 20.507 | IA-90-X289 | \$ 169,463 |
| Federal Transit – Formula Grants | 20.507 | IA-90-X258 | 4,309 |
| Federal Transit – Formula Grants | 20.507 | IA-90-X309 | 473,009 |
| | | | <u>646,781</u> |
| Federal Emergency Management Agency: | | | |
| Fire Prevention Grants | 83.554 | EMW-2003-FP-01858 | <u>21,781</u> |
| Department of Homeland Security: | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2004-FG-14334 | <u>67,599</u> |
| KDHAP Rental Assistance and Administrative Expenditures | 97.NA | IA022KC9033 | <u>6,156</u> |
| Total direct | | | <u>10,649,926</u> |
| Indirect: | | | |
| Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: Emergency Shelter Grants Program | 14.231 | 05-ES-004 | <u>87,974</u> |
| Department of Justice: | | | |
| Iowa Department of Justice: Violence Against Women Formula Grants | 16.588 | VW-06-45 | <u>38,000</u> |
| Governor's Office of Drug Control Policy: | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 05JAG-A24 | <u>21,189</u> |
| Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-1-5(69)- -2C-52 | 62,146 |
| Highway Planning and Construction | 20.205 | STP-U-3715(625)- -70-52 | 1,251,040 |
| Highway Planning and Construction | 20.205 | STP-U-3715(629)- -70-52 | 94,054 |
| Highway Planning and Construction | 20.205 | STP-U-3715(627)- -70-52 | 137,045 |
| Highway Planning and Construction | 20.205 | BROS-3715(626)- -8J-52 | 341,337 |
| | | | <u>1,885,622</u> |
| Federal Transit – Capital Investment Grants | 20.500 | IA-03-0104-371-05 | 91,931 |
| Federal Transit – Capital Investment Grants | 20.500 | IA-03-0103-371-04 | 146,910 |
| | | | <u>238,841</u> |
| Transit Planning and Research | 20.514 | IA-26-0003-026-06 | <u>300</u> |
| | | | (continued) |

N/A = Not Applicable

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2006

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency or Pass-through Number</u> | <u>Program Expenditures</u> |
|--|--------------------|--|---------------------------------|
| Indirect: (continued) | | | |
| Department of Transportation: (continued) | | | |
| Iowa Department of Transportation and Johnson County Council of Governments: | | | |
| State Planning and Research | 20.515 | 06MPO-JCCOG | \$ <u>133,055</u> |
| Iowa Department of Public Safety: | | | |
| Governor's Traffic Safety Bureau: | | | |
| State and Community Highway Safety | 20.600 | PAP 05-04, Task 32 | 3,208 |
| State and Community Highway Safety | 20.600 | PAP 06-02, Task 13 | <u>14,667</u> |
| | | | <u>17,875</u> |
| Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons | 20.605 | PAP 05-163, Task 34 | 9,489 |
| Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons | 20.605 | PAP 06-163, Task 29 | <u>8,150</u> |
| | | | <u>17,639</u> |
| Total indirect | | | <u>2,440,495</u> |
| Total | | | <u>\$ 13,090,421</u> |

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF IOWA CITY, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Iowa City, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Iowa City, Iowa, provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|---|--------------------------------|---|
| Community Development Block Grants/ Entitlement Grants | 14.218 | \$ 701,113 |
| Emergency Shelter Grants Program | 14.231 | 83,575 |
| HOME Investment Partnerships Program | 14.239 | 758,015 |

CITY OF IOWA CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA 14.239 – HOME Investment Partnerships Program
 - CFDA 20.106 – Airport Improvement Program
 - CFDA 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$387,629.
- (i) The City of Iowa City, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements at June 30, 2006, did not exceed the amount budgeted. However, Community and Economic Development expenditures exceeded budget amounts before the first budget amendment. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- II-B-06 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF IOWA CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (continued)

- II-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title, and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Dee Vanderhoef, City Council Member, owner of Iowa Book and Supply | Supplies | \$ 1,661 |

The above transaction does not appear to represent a conflict of interest since \$168 of the total was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa and the remainder is less than \$1,500 in accordance with Chapter 362.5(10).

- II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-06 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-06 Revenue Bonds – We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.